



EPA Region 5 Records Ctr.



264266

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September 30, 2005

Via Facsimile & Federal Express

Mrs. Mila V. Bensing
U.S. Environmental Protection Agency
Emergency Enforcement & Support Section, SE-5J
77 West Jackson Boulevard
Chicago, IL 60604-3590

**Re: IWI, Inc. Site Summit, Illinois 104(e) Request
Response of General Electric Company**

Dear Mrs. Bensing:

Pursuant to section 104(e) of CERCLA, 42 USC § 9604(e), General Electric Company ("GE") is submitting this response to the United States Environmental Protection Agency's ("EPA's") Request for Information ("RFI"), dated August 18, 2005 concerning the IWI, Inc. Site.

To comply to the best of its abilities with EPA's RFI, GE has made substantial inquiries and conducted a comprehensive search of its available records relating to 2000 Taylor Street to locate potentially relevant information. Nothing herein or in the attached should be deemed to constitute an admission that General Electric Company ("GE") is in any way liable or responsible for any costs incurred or to be incurred by EPA, or any party, relating to the IWI, Inc. Site. GE reserves any and all rights and defenses it has, or may have, with regard to any claims brought against it.

If you have any questions about this submission, please feel free to contact me at 518-862-2714.

Sincerely,

Scott Lehecka
Counsel, Northeast/Midwest Regions

Enclosure
SAL/bi

Corporate Environmental Programs

General Electric Company

**Response of General Electric
To EPA's 104(e) Request
on the IWI, Inc. Site
September 30, 2005**

Information Request Questions

General Objection

General Electric Company ("GE) objects to the U.S. Environmental Protection Agency's ("USEPA") instructions and questions insofar as they seek information protected by Attorney Client Privilege and/or the Work Product doctrine. Further, GE objects to each and every request to the extent that the request uses terms that are improperly defined or not defined and are subject to multiple interpretations. It is GE's contention that the USEPA failed to provide sufficient information to allow GE to respond to the Request for Information ("RFI"), for example, USEPA failed in the RFI to provide all of the company names under which IWI, Inc. operated; failed to provide a description of the type of operations that were conducted at the Site; failed to provide any nexus documents GE requested, which might have assisted in directing GE's efforts (e.g., providing the name of a person with knowledge); failed to provide a specific time period during which the Site operated; and failed to provide a sufficient length of time for GE to respond. In essence, USEPA is asking GE to look for a needle in a haystack over a span of 40 years. The time provided by EPA to respond to the RFI was not sufficient given the length of time covered and the limited Site background provided. Finally, GE objects to providing information which: (1) is not in its possession, custody or control; (2) is in the possession, custody or control of USEPA or third parties, or (3) is otherwise beyond the scope of USEPA's authority under CERCLA Section 104. GE further responds that it will supplement its response with any additional information it may discover in its ongoing investigation.

1. Identify all persons consulted in the preparation of the answers to these Information Requests.

Response:

Respondent objects to this request because it is vague (the term "consulted" is undefined) and to the extent that it calls for information that is subject to the Attorney-Client Privilege or Attorney Work Product doctrine. Subject to objection, Respondent states:

The following current GE employees were consulted in preparation of these Responses:

- Scott A. Lehecka, Esq., GE Counsel, Corporate Environmental Programs
- Barbara Ippolito, Paralegal, GE Corporate Environmental Programs
- Bonnie Harrington, Sr. Counsel, Environment, Health & Safety, GE Consumer & Industrial

Response of General Electric Company
To EPA's 104(e) Request on the IWI, Inc. Site
September 30, 2005

- Eric Huddleston, EHS Team Leader, GE Consumer & Industrial
- Larry Porter, Mfg. EHS Specialist, GE Consumer & Industrial
- Dustin Casey, Mfg. Support Specialist, GE Consumer & Industrial
- Dave Bryson, Human Resources Manager, GE Consumer & Industrial
- Terri Jones, Human Resources Specialist, GE Consumer & Industrial
- MaryAnna Feitler, Administrative Specialist, GE Consumer & Industrial
- Debby Berg, Mfg. EHS Manager, GE Consumer & Industrial
- Keith Mooneyhan, EHS General Manager, GE Consumer & Industrial
- Larry Franck, Mfg. Facilities Manager, GE Consumer & Industrial
- Melody Jackson, Mfg. Product Coordinator, GE Consumer & Industrial
- William Killoran, Sr. Counsel Environmental Affairs, GE Transportation
- John P. Bucklin, Mgr. Environmental Remediation, GE Transportation
- Stephen D. Hill, Environmental Affairs & Safety, GE Transportation

Any requests for additional information or requests to contact current employees should be referred to Barbara Ippolito, Paralegal, GE Corporate Environmental Programs, General Electric Company, 320 Great Oaks Office Park, Suite 319, Albany, NY 12203, Tel.: (518) 862-2716.

2. Identify all documents consulted, examined, or referred to in the preparation of the answers to these Requests, and provide copies of all such documents.

Response:

Respondent objects to this request because it is vague (in particular, the terms "consulted, examined, or referred to" are undefined); and is overbroad and unreasonably burdensome (in that it calls for the identification of a potentially large number of documents, including many documents with no relevant information concerning the subject matter of the RFI).

Subject to objection, Respondent states that in preparing this Response, GE located and reviewed those operating documents that were retained in the normal course of business related to the RFI. These documents included waste manifests from 1980 through 1981, 1987 through 1999 and purchasing records. In accordance with GE Consumer & Industrial Division's document retention policy, all purchasing records prior to 1987 were destroyed, and in 1999 all manifests over ten years old were destroyed with the exception of the manifests mentioned above. Based on a reasonable investigation, Respondent has not identified any relevant information or documents responsive to the RFI.

Response of General Electric Company
To EPA's 104(e) Request on the IWI, Inc. Site
September 30, 2005

3. If you have reason to believe that there may be persons able to provide a more detailed or complete response to any Information Request or who may be able to provide additional responsive documents, identify such persons.

Response:

Respondent objects to this request because it is vague (in particular, the term "more detailed or complete" is undefined), because it is overbroad, and because the request references other questions, which may be subject to objection. Subject to objection, Respondent states that it has not yet identified any information or documents responsive to this request; however, Respondent has identified several personnel who worked at the 2000 Taylor Street facility, and is currently in the process of determining whether or not we can locate these individuals and whether these individuals have any information responsive to the RFI. Respondent reserves the right to supplement this response in the event that new or additional information becomes available.

GE Aircraft Controls also operated at the 2000 Taylor Street facility, beginning in 1984. That business unit was sold to Lockheed Martin Corp. in 1993, and GE understands that the business was acquired by BAE Systems in 2000. Documents generated by that business unit would have remained with the business unit, and are not within Respondent's possession or control.

4. List the EPA Identification Numbers of the Respondent.

Response:

Respondent objects to this request because it is vague, in that the question does not define the type of "EPA Identification Number" in question. There are many different types of identification numbers assigned by EPA under various programs. Respondent further objects to this request because it is overbroad and unreasonably burdensome. The question is not limited as to time, place, or type of EPA Identification Number" intended, so that the question appears to include any identifying number assigned by EPA to any GE facility, anywhere, anytime.

Subject to objection, Respondent states that if this question refers to the RCRA Generator Identification Number specific to the GE 2000 Taylor Street, Fort Wayne, Indiana facility, the EPA Identification number is IND005448683.

5. Identify the acts or omissions of any person, other than your employees, contractors, or agents, that may have caused the release or threat of release of hazardous substances, pollutants, or contaminants, (e.g., solid, liquid) at the Site and damages resulting therefrom.

Response:

Respondent objects to this question to the extent that it attempts to impose any obligation upon GE to identify persons who are not now and have not been affiliated with or otherwise known to Respondent.

Subject to objection, Respondent states that following a reasonable investigation, it has not identified any information or documents responsive to this request.

6. Identify all persons having knowledge or information about the generation, transportation, treatment, disposal or other handling of hazardous substances by you, your contractors, or by prior owners and operators.

Response:

Respondent objects to this request because it is overbroad and unreasonably burdensome. (First, the inquiry into any "generation, transportation, treatment, disposal, or other handling" includes many activities that have no relevance to a possible arrangement for treatment or disposal, if any, at the IWI Site, and the request is not reasonably calculated to lead to the discovery of information concerning the IWI Site. Second, the question is not limited as to time or place, so that the question appears to include any handling of hazardous substances at any GE facility, anywhere, anytime.) Respondent also objects to this question to the extent that it attempts to impose any obligation upon GE to identify persons who are not now and have not been affiliated with or otherwise known to Respondent.

Subject to objection, Respondent states that based on a reasonable investigation, Respondent has not identified any information or documents responsive to this request. Respondent also directs EPA to the response to Question 3.

7. Did you ever use, purchase, store, treat, dispose, transport or otherwise handle any hazardous substances or materials? If the answer to the preceding question is anything but an unqualified "no", identify:
 - a) The chemical composition, characteristics, physical state (e.g., solid, liquid) of each hazardous substance;
 - b) Who supplied you with such hazardous substances;
 - c) How such hazardous substances were used, purchased, generated, stored, treated, transported, disposed, or otherwise handled by you;

Response of General Electric Company
To EPA's 104(e) Request on the IWI, Inc. Site
September 30, 2005

- d) When such hazardous substances were used, purchased, generated, stored, treated, transported, disposed, or otherwise handled by you;
- e) Where such hazardous substances were used, purchased, generated, stored, treated, transported, disposed, or otherwise handled by you; and
- f) The quantity of such hazardous substances used, purchased, generated, stored, treated, transported, disposed or otherwise handled by you.

Response:

Respondent objects to this request because it is overbroad and unreasonably burdensome. (First, the activities referred to, "use, purchase, store, treat, dispose, transport or otherwise handle," include many activities that have no relevance to a possible arrangement for treatment or disposal, if any, at the IWI Site, and the request is not reasonably calculated to lead to the discovery of information concerning the IWI Site. Second, the question is not limited as to time or place, so that the question appears to include any handling of hazardous substances at any GE facility, anywhere, anytime). Respondent also objects to this request to the extent that it attempts to impose any obligation upon GE to identify persons who are not now and have not been affiliated with or otherwise known to Respondent. Subject to objection, Respondent states that based on a reasonable investigation, Respondent has not identified any information or documents responsive to this request.

- 8. Provide copies of all income tax returns sent to the Federal Internal Revenue Service in the last five years.

Response:

Respondent objects to this request because it is overbroad and unreasonably burdensome. Although CERCLA §104(e) authorizes EPA's inquiry into "[i]nformation relating to the ability of a person to pay for or perform a cleanup," the request for copies of GE's income tax returns for a five year period, which would include many voluminous schedules and attachments, is unreasonably burdensome and overinclusive. Respondent also objects to this request because it is vague (in that the term "sent to" is vague and undefined). Subject to objection, Respondent states that it is providing a copy of the Respondent's most recent Annual Report, which contains the Respondent's most recent financial statements.

- 9. If Respondent is a Corporation, respond to the following requests:
 - a) Provide a copy of the Articles of Incorporation and By-Laws of the Respondent.

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To EPA's 104(e) Request on the IWI, Inc. Site
September 30, 2005

- b) Provide Respondent's audited financial statements for the past five fiscal years, including, but not limited to those filed with the Internal Revenue Service. If audited financial statements are not available, please state the reasons that they are not available, and provide the financial statements that management would review at the conclusion of each fiscal year.
- c) Identify all of Respondent's current assets and liabilities and the persons who currently own or are responsible for such assets and liabilities.
- d) Provide a list of any investments that the Corporation may own. For example, any ownership in stock should list Corporate name, number of shares owned, and price at a current specific date. Ownership of real estate should itemize property location, type of property (land, office building, factory, etc.), size of property, purchase price, and current market valuation. These schedules should agree with financial statement presentations.

Response:

Respondent objects to this request because it is overbroad and unreasonably burdensome. Although CERCLA §104(e) authorizes EPA's inquiry into "[i]nformation relating to the ability of a person to pay for or perform a cleanup," the request for copies of GE's Articles of Incorporation, audited financial statements, and an identification of all of Respondent's assets, liabilities, and investments is unreasonably burdensome and overinclusive. Subject to objection, Respondent states that it is providing a copy of the Respondent's most recent Annual Report, which contains the Respondent's most recent financial statements.

10. If Respondent is a Partnership, provide copies of the Partnership Agreement.

Response:

Not applicable.

11. If Respondent is a Trust, provide all relevant agreement and documents to support this claim. any claims.

Response:

Not applicable.

12. Identify all persons, including yourself, who may have arranged for disposal or treatment, or arranged for transportation for disposal or treatment of waste materials, including hazardous substances, at the Site. In addition, identify the following:

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To EPA's 104(e) Request on the IWI, Inc. Site
September 30, 2005

- a) The persons with whom you or such persons made such arrangements, including, but not limited to [provide list of transporters];
- b) Every date on which such arrangements took place;
- c) For each transaction, the nature or the waste material or hazardous substance, including the chemical content, characteristics, physical state (e.g., solid, liquid), and the process for which the substance was used or the process which generated the substance which may have been stored in totes, containers, drums, barrels, or pails;
- d) The owner of the totes, containers, drums, barrels, pails or waste materials or hazardous substances so accepted or transported;
- e) The quantity of the totes, containers, drums, barrels, pails or waste materials or hazardous substances involved (weight or volume) in each transaction and the total quantity for all transactions;
- f) All tests, analyses, and analytical results concerning the totes, containers, drums, barrels, pails or waste materials;
- g) The person(s) who selected the Site or transshipment of totes, containers, drums, barrels, pails or waste materials through the Site as the place to which the waste materials or hazardous substances were to be transported;
- h) The amount paid in connection with each transaction, the method of payment, and the identity of the person from whom payment was received;
- i) Where the person identified in g. above, intended to have such totes, containers, drums, barrels, pails, hazardous substances or waste materials transported and all evidence of this intent;
- j) Whether the totes, containers, drums, barrels, pails waste materials or hazardous substances involved in each transaction were transshipped through, or were stored or held at, any intermediate site prior to final treatment or disposal;
- k) What was actually done to the totes, containers, drums, barrels, pails, or waste materials or hazardous substances once they were brought to the Site;
- l) The final disposition of each of the totes, containers, drums, barrels, pails of waste materials or hazardous substances involved in such transactions;

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- m) The measures taken by you to determine the actual methods, means, and site of treatment or disposal of the totes, containers, drums, barrels, pails, or waste material and hazardous substance involved in each transaction;
- n) The type and number of totes, containers, drums, barrels, or pails in which the waste materials or hazardous substances were contained when they were accepted for transport, and subsequently until they were accepted for transport, and subsequently until they were deposited at the Site, and all marking on such totes, containers, drums, barrels, pails, or containers;
- o) The price paid for transport or disposal, or treatment of each tote, container, drum, barrel, pail, waste material and hazardous substance;
- p) All documents containing information responsive to a)-o) above, or in lieu of identification of all relevant documents, provide copies of all such documents;
- q) All persons with knowledge, information or documents responsive to a)-p) above.

Response:

Respondent objects to this question to the extent that it attempts to impose any obligation upon GE to identify persons who are not now and have not been affiliated with or otherwise known to GE. Subject to objection, Respondent states that based on a reasonable investigation, Respondent has not identified any information, documents or persons responsive to this request.

FAX

Date September 30, 2005

Number of pages including cover sheet 10

TO: Mila Bensing

Phone 312-886-6731

Fax Phone 312-886-0747

CC:

FROM: Barbara Ippolito

General Electric

Corporate Environmental
Programs

320 Great Oaks Office
Park, Suite 319

Albany, NY 12203

Phone 518-862-2716

Fax Phone 518-862-2702

REMARKS: ☐ Urgent ☐ For your review ☐ Reply ASAP ☐ Please Comment

Re: IWI, Inc. Site, Summit, IL

We will send a complete copy, including attachment by Federal Express for delivery on Monday, October 3, 2005.

THIS MESSAGE IS INTENDED ONLY FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHICH IT IS ADDRESSED AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, CONFIDENTIAL AND EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAW. IF THE READER OF THIS MESSAGE IS NOT THE INTENDED RECIPIENT OR THE EMPLOYEE OR AGENT RESPONSIBLE FOR DELIVERING THE MESSAGE TO THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISSEMINATION, DISTRIBUTION OR COPYING OF THIS COMMUNICATION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS COMMUNICATION IN ERROR, NOTIFY IMMEDIATELY BY TELEPHONE, AND RETURN THE ORIGINAL MESSAGE TO US AT THE ABOVE ADDRESS VIA THE US POSTAL SERVICE. THANK YOU.

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FAX

TO: Mila Bensing

Phone 312-886-6731
Fax Phone 312-886-0747

CC:

Date September 30, 2005

Number of pages including cover sheet 10

FROM: Barbara Ippolito

General Electric
Corporate Environmental
Programs
320 Great Oaks Office
Park, Suite 319
Albany, NY 12203

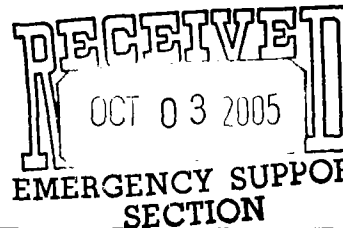
Phone 518-862-2716
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From: Origin ID: (518)862-2735
Barbara Ippolito
GENERAL ELECTRIC COMPANY
320 GREAT OAKS BOULEVARD, SUITE 319

ALBANY, NY 12203

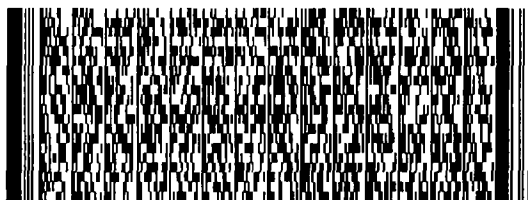


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USEPA
77 West Jackson Blvd.
SE-5J
Chicago, IL 606043590



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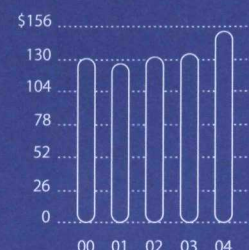
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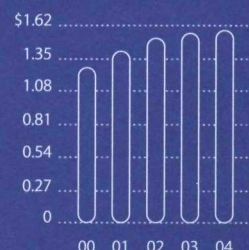
GE 2004 Annual Report



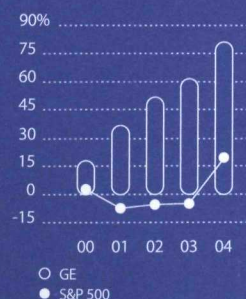
CONSOLIDATED
REVENUES
(in billions)



EARNINGS PER SHARE
BEFORE ACCOUNTING
CHANGES



GE/S&P CUMULATIVE
DIVIDEND GROWTH
SINCE 1999



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Performance Summary

Throughout economic cycles, GE's long-term financial goals are: 8% annual organic revenue growth (revenue growth excluding the effects of acquisitions, dispositions and currency exchange rates); 10%-plus annual earnings growth; operating cash flow growth exceeding earnings growth; and a return on average total capital exceeding 20%.

Here is how GE performed in 2004:

- Revenues increased 14% to \$152.4 billion, with growth at eight of GE's 11 businesses exceeding 10%. Organic revenue growth was 6%.
- Earnings grew 6% to \$16.6 billion, with growth at nine of 11 businesses exceeding 10%. Excluding Insurance dispositions, earnings grew 17%.
- Cash flow from operating activities (CFOA) was \$15.2 billion, up 18%. Industrial CFOA grew 27%. Return on average total capital was 15.9%.
- The Board of Directors increased the dividend 10% for GE's 29th consecutive annual increase and announced a share repurchase program of up to \$15 billion between 2005 and 2007. At year-end, GE's yield was 2.4%, a 37% premium to the S&P 500. GE returned \$8.5 billion to investors in 2004, primarily through dividends.
- GE remained one of only six "Triple-A"-rated U.S. industrial companies. The Company continued to reduce "parent-supported" debt at GE's financial services businesses, with total reductions since November 2002 of approximately \$14 billion. Commercial paper as a percentage of total debt remained below 30%.
- Total return for GE shareowners (stock price appreciation assuming reinvested dividends) was 21% versus the S&P 500's total return of 11%. At year-end, GE traded at a forward price/earnings ratio (P/E) of 20, a 17% premium to the S&P 500.
- GE continued to earn the respect of the business world. For the seventh consecutive year, GE was named "The World's Most Respected Company" in the *Financial Times'* annual global survey of CEOs. GE was ranked first for corporate governance. GE was also named to the Dow Jones Sustainability World Index as one of the world's leaders in environmental, social and economic programs.
- GE invested \$13 billion in its intellectual foundation. This investment included approximately \$5 billion in product and service technology; \$3 billion in marketing, brand development and information technology; \$4 billion in media programming; and \$1 billion in training and executive development. GE filed 2,122 patents in 2004.

Companies that endure are able to reinvent themselves to stay aligned with customers and markets as they evolve.

GE has spent the last few years undergoing such a transformation.

It has been a time of anticipation as we have prepared to make our own growth in a slow-growth, more volatile world.

This is a great time for your Company.

(left to right)
JEFFREY R. IMMELT
 Chairman of the Board
 and Chief Executive Officer

ROBERT C. WRIGHT
 Vice Chairman of the Board
 and Executive Officer

DENNIS D. DAMMERMAN
 Vice Chairman of the Board
 and Executive Officer

SIR WILLIAM M. CASTELL
 Vice Chairman of the Board
 and Executive Officer

Dear Fellow Stakeholders:

I spent much of my youth playing sports, primarily football. I happened to be an offensive lineman in college, not a bad preparation for a CEO. One season, I dislocated my shoulder. The injury hurt enough to impair the quality of my play, but was not bad enough to keep me out of the action. I did the best I could, tried hard not to let down my teammates, and went to the training room to get better. Eventually, I felt twice as strong and enjoyed every game. From this experience, I learned that sometimes you just have to do your best without making excuses.

GE has "played hurt" for the past few years. The end of the "bubble" stock market, the recession and the 9/11 tragedy depressed the markets for our energy and transportation businesses. Our expansion into difficult insurance markets had left us with underperforming businesses and excess leverage. Pension earnings, which were a tailwind in the '90s, declined sharply and became a headwind.

We never offered excuses. Our performance was acceptable by any standard but our own. Our earnings should be 50% higher in 2005 than they were in 2000, and our dividend has expanded by more than 50%. But sometimes companies, like people, must go through tough periods to get better.

So we went to the "training room." These difficult years triggered a critical review of our capabilities by the Board of Directors and the leadership team, and as a result we initiated an exciting transformation. We invested more than \$60 billion to create a faster-growing Company. We committed to divest \$15 billion of slow-growth assets. We built new capabilities, launched new

products, expanded globally and invested in the GE brand. Now the Company has begun an era of strong financial performance, starting in the fourth quarter of 2004 when our earnings grew 18%.

Throughout this period, we have benefited from your willingness to take a long-term view. We relied on your trust to implement this transformation. We asked you to wait patiently for 2005, when we expected to restore our historic performance. We issued more than 450 million shares in 2004 to improve the Company for the future. From time to time, CEOs complain about their investors' short-term view. Not this CEO. I am indebted to your commitment.

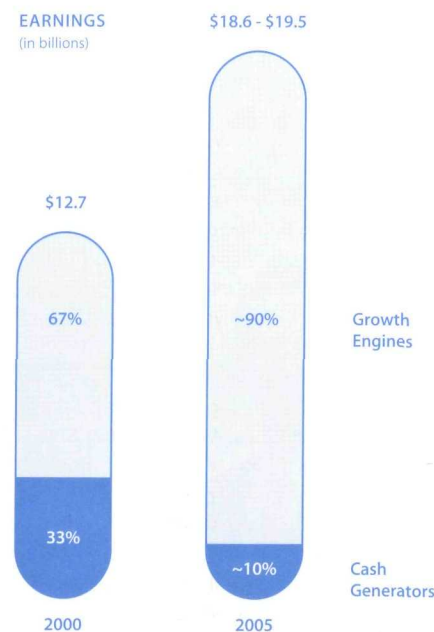
And you will be rewarded. Because of our work and your faith in us, this is the best GE ever. We have created a high-tech, services and financial enterprise that can grow faster with expanding returns, build leadership in fast-growth markets and return cash to you. Moreover, we can sustain this performance in the slow-growth environment we see today. We're back at full strength. *This is our time.*



Portfolio Transformation New Growth Capabilities

GE has added more than a dozen new capabilities to its seven Growth Engines, which should generate approximately 90% of GE's earnings in 2005, substantially more than five years ago. The Growth Engines—Transportation, Energy, Healthcare, NBC Universal, Infrastructure, Commercial Finance and Consumer Finance—are robust, capital-efficient businesses with leadership positions in their industries and prospects for sustained double-digit earnings and cash flow growth.

Biosciences
Film + DVD
Healthcare Information Technology
Renewable Energy (Wind, Solar, Biomass)
Coal Gasification
Water
Security
Hispanic Television
Oil & Gas Exploration Technology
Services (Asset Optimization, Environmental Services, Non-Destructive Testing)
"Verticals" Financing
Full Supply-Chain Financing
Real Estate Operations
Global Mortgage



The Future is Now

GE has a vibrant business model. By business model, I mean the imperatives we drive to sustain excellent performance over time. They include:

- A portfolio of strong businesses
- Processes that generate cash and achieve low cost
- Capability to achieve 8% organic revenue growth

We believe that our consistent focus on these imperatives, backed by strong execution, is the key to excellent long-term performance.

A Portfolio of Strong Businesses

Our portfolio is set to deliver double-digit earnings growth in 2005. To achieve this, we invested in fast-growth businesses such as healthcare and entertainment that can accelerate our industrial growth rate. We built new platforms in fast-growth industries like oil and gas, security and water. We exited lower-return insurance businesses and redeployed assets into higher-returning GE Commercial Finance and GE Consumer Finance.

Even during this substantial portfolio reshaping, our performance was exceptional. Nine of our 11 businesses grew earnings by double digits in 2004. We have great momentum as we head into 2005, based on the following factors.

GE TRANSPORTATION AND GE ENERGY should both achieve consistent double-digit earnings growth. Transportation rebounded from the post-9/11 aviation cycle with revenue growth of 15% and earnings growth of 21% in 2004. Aviation services grew revenues

16% and now has a backlog of contractual services agreements totaling \$28 billion. The Rail business had a spectacular year, with revenue growth of 18%. Transportation's technical leadership expanded in 2004. The GENx™ engine was chosen for both the Boeing 787 and the Airbus A350, and the business has orders for more than 1,200 GE Evolution™ locomotives. This team, led by Dave Calhoun, won our Chairman's Leadership Award for the best overall performance.

Energy's earnings dropped 31% in 2004, as its shipments of gas turbines declined as expected. However, the turbine business has stabilized in the U.S. and is expanding globally, so shipments should grow more than 20% in 2005. The balance of Energy performed well in 2004, with services revenues up 11% and Oil & Gas revenues exceeding \$3 billion, up 10%. As turbine shipments rebound, services expand and Oil & Gas continues to grow, Energy is poised for a sustained period of double-digit earnings growth. John Rice and his team have exceeded every commitment we made to investors.

These two businesses, representing about 30% of GE's earnings, are expanding simultaneously for the first time since 2000. Because of their technical leadership and strong service capabilities, we expect them to grow earnings 10–15% in 2005 and beyond.

GE HEALTHCARE, NBC UNIVERSAL AND GE INFRASTRUCTURE have integrated substantial acquisitions and are positioned to grow earnings at least 20% in 2005. Healthcare grew earnings 34% in 2004. We completed the Amersham acquisition and it is performing ahead of plan. Sir William Castell and his team have all of the pieces of "personalized healthcare" and will be able to

move down clinical pathways with leadership technology that can predict, diagnose, inform patients and treat disease. We have created a \$15 billion growth engine, a leader in diagnostics, that is well positioned for the major trends of healthcare.

NBC Universal had earnings growth of 28% in 2004, including a great performance from Universal. Under the leadership of Bob Wright, the cultures have blended well and the teams are working together creatively. When we decided to pursue Universal, our primary interest was to diversify NBC's revenue stream. Beyond this, the combination has benefited both NBC and Universal strategically by giving them new ways to market and distribute each other's content. This has already resulted in improved earnings from their cable properties. In addition, Universal has brought NBC a worldwide distribution channel. We have created a \$15 billion content leader positioned for long-term growth.

Infrastructure's 2004 earnings increased 22% and we continued to strengthen its businesses. We committed \$3.4 billion to enhance our capabilities in security and water. We acquired InVision to build a leadership position in homeland defense, and we agreed to acquire Edwards Systems Technology to establish a strong position in fire and integrated building management. These deals will create a \$2 billion security franchise, making it an industry leader. For Water, we agreed to acquire Ionics, a global leader in desalination, filtration systems and services. We are building a \$2 billion water business and making GE an industry leader.

These businesses represent about 25% of our earnings and are positioned for many years of rapid growth.

COMMERCIAL FINANCE AND CONSUMER FINANCE should continue their strong performance, with earnings growth exceeding 15% in 2005. These well-positioned financial franchises grew combined earnings 15% in 2004 and expanded assets 20%. Commercial Finance acquired consolidating platforms such as Transamerica Financial Services and today has 8,000 salespeople to drive organic growth. Mike Neal and his team are well positioned for sustained growth. Meanwhile, Consumer Finance, already our most global business, is expanding with new investments in Australia and Russia and with specialty mortgages in the U.S. Dave Nissen leads a marketing-driven team that had organic asset growth of 13% in 2004.

These market-leading financial franchises represent about 33% of our earnings. They have sustained double-digit growth for many years, and we have every reason to expect them to continue.

GE ADVANCED MATERIALS, GE CONSUMER & INDUSTRIAL AND GE EQUIPMENT & OTHER SERVICES are seeing excellent growth in an expanding economy. Their combined earnings more than doubled in 2004 (excluding gains), with double-digit growth expected in 2005. These economically sensitive businesses are executing consistent strategies of investing in technology and reducing structural cost. As a result, they are seeing substantial margin enhancement as the economy has strengthened. The momentum in these businesses, representing about 9% of GE earnings, should continue.

GE INSURANCE will continue its strategic repositioning. Dispositions, increased loss reserves and catastrophes reduced Insurance earnings more than 70% in 2004. We sold approximately 30% of Genworth Financial, our primary life and mortgage insurance businesses, in an IPO. Genworth is executing well and its investors are happy. We expect to sell down the balance of our position in Genworth over the next two years. Meanwhile, GE Insurance Solutions, our reinsurance business, continued its focused strategy to exit unprofitable product lines and improve pricing and underwriting. Insurance Solutions' net property and casualty reserves now total \$17.4 billion, up nearly 40% from 2001. Insurance generated only about 3% of our earnings in 2004, and we will continue to reduce our exposure in this industry.

We are always looking for ways to improve the Company, but this period of heavy transaction activity will subside. We like the way the Company looks. Last year, I told you that we defined GE in two groups, Growth Engines and Cash Generators. Our aspiration was to increase the Growth Engines. These are highly competitive businesses with multiple ways to grow. Since 1999, earnings growth from these businesses has averaged 15% annually. In 2005, we expect approximately 90% of GE's earnings to come from the Growth Engines.

We never shy away from investing in your Company because we are pretty good at it. The fact is that there are very few "great" deals ever done, that is, deals that enrich investors on the day they are complete. But there are a lot of good deals that become great, where you pay a fair price and then generate excellent returns through smart integration and strong execution. We have been disciplined with your money and are committed to generating great returns for you.

We have created a more valuable Company. We can consistently grow our industrial earnings faster than our financial services earnings for the first time in 20 years. The returns of our financial services businesses have expanded so they will be able to dividend 40% of their earnings to GE and maintain their growth rate. This portfolio is poised to begin a prolonged period of double-digit growth, with expanding returns.

Cash Generation and Low Cost

We run this portfolio with intensity. In 2004, our cash flow from operating activities (CFOA) grew 18%, powered by a 27% expansion in industrial cash flow. CFOA growth and other actions helped keep our balance sheet strong and maintain our "Triple-A" ratings. Since November 2002, we have improved our financial flexibility by reducing "parent-supported" debt of the financial services businesses by about \$14 billion. Our pension plans in total continue to have a surplus of more than \$4 billion, and we expect to meet our obligations to pensioners with no significant increase in funding for the foreseeable future.

GE is filled with "capital-efficient" and "high-intellect" businesses. In other words, we get growth without building factories and we allocate capital to maximize returns. We run these businesses with a clear focus on reducing working capital and improving return on equity.

We have a new area of focus that we call **Lean Six Sigma**. We have leveraged Lean manufacturing's classic tools for reducing cycle time with the problem-solving capability of Six Sigma. In the last two years, Transportation improved inventory turns from

seven to nine, and Advanced Materials improved receivables by six turns. We achieved \$2.7 billion of improvements in working capital in 2003–04 and intend to continue this progress. The same focus on capital efficiency exists in our financial services businesses. Commercial Finance has expanded its returns through a “Lean Six Sigma”-like focus on margin expansion, risk management and lower cost.

In 2005–07, GE expects to generate more than \$60 billion of CFOA. Remember, CFOA is what is left over *after* we have made substantial investments in the Company. In our case, this is \$60-plus billion after investing \$15 billion in technology, \$10 billion in media programming, and \$12 billion in marketing and information technology (IT), as well as funding more than \$100 billion of financial services asset growth. Simply put, we generate a lot more cash than we need to grow your Company.

This gives GE substantial financial flexibility. We plan to return about 75% of this cash to you in the form of consistent dividend growth and up to \$15 billion in stock buybacks through 2007. With the remainder, we can invest \$3–5 billion in industrial acquisitions each year. These activities strengthen our earnings growth rate while expanding returns.

At the same time, we remain committed to reducing cost by generating \$4 billion of productivity each year. We want to achieve this target without compromising our investments in growth. This requires new ways to run the Company.

We have a broad operating initiative called **Simplification**. We are targeting a reduction in “non-growth cost” of \$3 billion over three years. We are measuring reductions in legal entities, headquarters, “rooftops,” computer systems... anything that is not directly linked with customer satisfaction and growth. We are creating “Centers of Excellence” to share best practices and reduce cost. We are outsourcing common systems. The fact is that complexity is the enemy of growth and we want to eliminate it.

The results are significant. Commercial Finance is consolidating its \$232 billion-asset business into three customer service/operations centers. This will save \$300 million over the next three years while adding more than 1,000 salespeople. Consumer & Industrial consolidated three headquarters into one. This saved more than \$100 million in structural cost, two-thirds of which was redeployed into new products. Energy organized its separate technologies into one global product company. In addition, Transportation and Energy are sharing some IT and operational assets. These moves will allow Energy to reduce structural cost by \$300 million annually and increase the number of new product launches.

We have built a fast-growth portfolio. We run our businesses with intensity, creating low-cost operations and generating excess cash. On this foundation we are building a dynamic growth process that will transform GE.

Increasing Organic Revenue Growth

For more than 20 years, I have wondered what GE would do when we applied our operating disciplines to generating growth. I was convinced that the combination of operating excellence with an exciting growth culture could propel GE to new levels of valuation.

GE's historic organic revenue growth rate has been 5% per year. This is a respectable number, above the growth of the broader economy. But I realized from my first day as CEO that

investors wanted to see a faster-growing GE. The changes we have made in our portfolio will boost our growth, but achieving our potential will require us to treat growth as a process.

For many years, GE's process disciplines, like Six Sigma and digitization, were operationally based. Today we are bringing these GE strengths to bear on organic growth. We have invested in broad capability in technology and services. We have enhanced our approach to customers around the world through commercial excellence. We have built a Company-wide process for innovation called Imagination Breakthroughs. Each of these process steps leverages the totality of GE to accelerate results.

Based on this, we are increasing our aspirations for organic revenue growth to 8% per year. We are aiming to hit this rate in 2005.

Capability in Technology and Services

Technology is the foundation of GE's growth. Today we invest considerably more in technology than we did in 2000. We have a rich pipeline of new products, based on key market trends, that can win.

GE leads in energy efficiency through more economical power-producing systems, including those that use renewable resources. In 2004, we and Bechtel began feasibility studies with Cinergy Corp. and American Electric Power for coal gasification power plants. This “Cleaner Coal” technology will generate power in a cost-effective way using abundant coal resources, with dramatically fewer emissions than traditional coal plants.

GE leads in personalized healthcare through a technical focus on prediction, diagnosis and information linked to treatment. In our product pipeline today are advanced technologies capable of extremely early detection of cancer, heart disease and Alzheimer's disease.

GE leads in advanced water technology. With Ionics, we will have a broad array of filtration systems and membranes. We are taking this in two directions: toward the sea with desalination projects and into the home with advanced filtration systems.

GE leads in advanced security systems. We are the only company that can combine digital surveillance, advanced detection and bioscience. We have been awarded funding by the U.S. Transportation Security Administration for the next generation of security systems, which will combine material and explosives detection.

Our technical leadership is supported by four Global Research Centers where we can spread ideas across the GE businesses. Good examples are the transfer of our leading medical imaging technology to new uses in homeland defense and the leveraging of our materials technologies across our locomotives, aircraft engines and turbines. Global Research filed for more than 450 patents in 2004, including 25 for nanotechnology.

Each of these new products will add to our installed base, which has more than doubled since 2000.

Built on this high-tech installed base, our services revenues totaled \$26 billion in 2004, growing 12%. Services represent about 30% of our industrial sales and have the potential to grow

Growth Process Culture and Rhythm



at double-digit rates for the foreseeable future. Services are a powerful growth engine because our technology is long-lived and we focus on making the customer more profitable.

Services drive energy efficiency. Transportation now offers upgrade programs that save up to 10% on fuel. Energy's service packages can improve the efficiency of the installed base by up to 10%.

The most exciting services growth opportunities we are driving today focus on our customers' workflow. We expect about \$1 billion of orders in healthcare clinical workflow, energy grid decongestion, aircraft engine control technology and railroad movement planning. A good example is our work with Indiana Heart Hospital. This all-digital hospital has used our technology extensively to improve its clinical workflow. We are sharing our knowledge across our businesses so that our customers can realize considerable productivity gains.

Commercial Excellence Around the World

We match our capabilities with great teams that can create value for customers. Over the last four years I have spent more time with our sales and marketing teams than with any other group in GE.

CEOs cannot delegate growth or customer satisfaction. I try to spend at least five days each month with customers or being otherwise involved in the selling process. I get involved with important new growth activities, such as the partnership we formed with Dillard's on its consumer credit card. And twice each month I do “town hall meetings” with several hundred customers to share ideas on the direction of GE and listen to their thoughts on what we can do better.

One of the more enjoyable parts of my job is holding “dreaming sessions” with key customer groups, trying to think about where our businesses will be in five or ten years. Charlene Begley and I recently spent an afternoon with the CEOs of the North American rail industry. The purpose was to apply GE solutions to the issue of rail network capacity. GE can bring an entire array of solutions to our rail customers, from more reliable locomotives to information that improves network velocity to intelligent yard systems to financial capacity.

Another way I try to stay in the middle of the action is by leading the Commercial Council that we have had in place since 2002. It is composed of our best sales and marketing leaders. Our mission is to drive the functional excellence in sales and marketing that we need to hit our growth goals.

For the first time, we have Company-wide commercial leadership programs where we take college recruits and experienced new hires and put them on a sales or marketing career path as we've done for years with other functions like finance or engineering. We have also added more than 1,000 marketing professionals across the Company, making marketing a critical “line function” to drive growth.

We have used the Council to bring customers into the center of our strategies. Every business now has a value equation that links growth initiatives with customer profitability. For the first time, customer satisfaction will impact how leaders are compensated.

We are using the Council to create cross-Company capability for driving growth. We now have “vertical” teams in Healthcare, Energy, Water and Rail. Through enterprise selling, we can create far-reaching collaborations with customers and better serve them as “one GE.”

Mike Neal at Commercial Finance is a thought leader in this activity. Mike has GE's largest marketing and sales team. He has 11 commercial experiments under way, all testing new ways to structure sales forces to satisfy our customers and grow faster. For example, he has unified his lending and leasing sales forces in Chicago so they can offer customers complete solutions.

The breadth of GE has helped us accelerate our globalization. Global revenues grew 18% and reached \$72 billion in 2004. The most exciting global opportunities for GE are in the developing world, where our 2004 revenues were \$21 billion, a 37% increase.

We believe that 60% of our growth will come from developing countries in the next decade versus about 20% for the past 10 years. It is important for us to understand future customers, suppliers and competitors in these regions, where we believe GE has a meaningful competitive advantage.

China remains important, and revenues there should exceed \$5 billion in 2005, another year of strong double-digit growth. We have won more than 70% of commitments for turbines in China over the past two years. Advanced Materials grew revenues 40% in 2004 and is the second-largest GE business in China today. Last year we won a commitment from the East-West Rail line for almost 80 locomotives and control equipment. The Beijing 2008 Olympic Games are a great multi-business opportunity for GE.

Our opportunities also stretch into Russia, India, eastern Europe, southeast Asia, the Middle East and South America. GE is a great infrastructure company, virtually alone in the breadth of

(left to right)

BEN HEINEMAN
Senior Vice President,
Law and Public Affairs

GARY REINER
Senior Vice President and
Chief Information Officer

BETH COMSTOCK
Vice President and
Chief Marketing Officer

BRACKETT DENNISTON
Vice President and
General Counsel

KEITH SHERIN
Senior Vice President,
Finance and
Chief Financial Officer

PAM DALEY
Vice President,
Corporate Business
Development

BILL CONATY
Senior Vice President,
Human Resources



world-class technology in energy, transportation, healthcare, water and security that we can offer. Beyond that, we bring the capabilities that help these regions develop, including financing, compliance structure and leadership development. We have changed our approach to look at countries as customers.

Qatar is a great example. GE has landed portions of Qatar's liquid natural gas projects. We are pursuing a major order from Qatar Airways. We plan to help develop desalination capability in the country. We will invest in service technology and people development there. Under the leadership of Nabil Habayeb, our new president and CEO for the Middle East and Africa, we will develop a "company-to-country" relationship that generates growth over the long term.

Funding Innovation

We have launched a process for innovation called Imagination Breakthroughs. Each Imagination Breakthrough (IB) project has the potential for at least \$100 million of incremental growth. Today, we have 80 IBs in four categories: technical innovations; ideas that create value for customers and GE; opportunities to expand markets; and projects that make great ideas commercial products. They are funded and supported by great teams. Some will happen this year and others may take 10 years to reach full commercialization. Some just may not fly. Over the next four years, we plan to invest about \$5 billion in Imagination Breakthroughs, and they could deliver \$25 billion of incremental revenue growth in that time.

All of the Breakthroughs represent unique GE solutions. The Dual Card was launched in 2004 and combines store cards with consumer credit. It is a win for retailers and their consumers. The portable ultrasound, Vivid™ i, also was launched in 2004. It combines advanced imaging technology with ease of use. Vivid i could be the next stethoscope, improving healthcare globally with advanced diagnostics. The Hybrid Locomotive could save up to 15% over our Evolution locomotive's fuel consumption, and we are working toward achieving a commercial partnership in 2006.

You can see examples of our Imagination Breakthroughs throughout this report. They are bringing GE discipline to the innovation process as a way to accelerate growth.

New Benchmarks for Growth

There are pure "numerologists" in the world who say that a company like GE is too big to grow. Our job is to turn this around and prove that size will spur GE's growth. We have used our financial strength to build a fast-growth portfolio. Now we are using our breadth and depth to create unique GE solutions in technology, services, commercial excellence and globalization. We are using our process skills to make innovation more reliable. Our 11 businesses will grow one customer at a time.

Is 8% too lofty an aspiration? We are in markets that are growing faster than the overall economy. We have robust initiatives in services and globalization that represent a substantial portion of the Company's future revenues. Our technical pipeline and our approach to customers have great momentum. We have a series of innovative breakthroughs that are fully funded and that leverage GE process rigor. We can do this.

Most importantly, we have developed a new generation of growth leaders who are passionate about making this aspiration a reality.

Developing a Generation of Growth Leaders

Last year, I spoke about developing "growth leaders." Since every Company initiative begins with people and metrics, we recognized that our leadership development had to change. It had to match our growth aspirations.

We studied great growth businesses at GE and in the world to develop and train leaders with new, growth-oriented leadership traits. Our leaders are now trained and evaluated against five capabilities. They must:

- Create an external focus that defines success in market terms.
- Be clear thinkers who can simplify strategy into specific actions, make decisions and communicate priorities.
- Have imagination and courage to take risks on people and ideas.
- Energize teams through inclusiveness and connection with people, building both loyalty and commitment.
- Develop expertise in a function or domain, using depth as a source of confidence to drive change.

In addition, we are changing the GE culture by changing career expectations. We expect our people to spend more time in a business or on a job. Our teams are both excited and apprehensive about these changes.

Here's how I see it. In a big company, people can be seduced by breadth. You can imagine a career where you could do, literally, everything. But then you end up accomplishing nothing.

We owe it to our talent to teach them how to lead and grow businesses. This requires knowledge and time. In each business, we are creating 20 to 30 "pillar" jobs. These are key customer-facing or change-oriented assignments where the duration should be at least four to five years. With this time horizon, a leader can make his or her own bets and live with the consequences.

We know that pillar jobs work. They have been critical in the development of our best growth businesses and leaders. If you want to run a business in GE in the future, you will have done a pillar job.

Dave Nissen, CEO of Consumer Finance, is at the top of the list of GE growth leaders. Dave took Consumer Finance global in 1993; today it has \$151 billion in assets, \$121 billion of them outside the U.S. Dave has strong external focus and is a step ahead of trends and the competition. He is a clear thinker, with simple priorities shared across a diverse global enterprise. He has imagination, and Consumer Finance is the Company's leader in marketing. He is inclusive, with more than 70% of his employees outside the U.S. And Dave knows the domain. He has had the same job for 11 years, been promoted four times as the business has grown, and is still leading and having fun.

We also learned the value of growth traits from several newcomers to GE. With Amersham, we "acquired" Sir William Castell. We made Bill the leader of our healthcare business and he has had a massive impact. Bill hit our financial targets and adopted the process skills that are part of GE. But he has taught us about setting technical priorities and creating value in the healthcare industry. Because of Bill, we are creating a more customer-focused Company.

With Universal, we "acquired" Ron Meyer and Stacey Snider. This team knows how to make hard decisions on "soft" ideas. They are keeping the best of Universal's culture and adding GE capability to make the entire NBC Universal team more effective. As a result, the synergies between Universal and NBC are broader and deeper than we had imagined.

I am proud of the GE team. They have courage, passion and determination. They embrace change. It is the honor of my life to lead them.

Our Commitment to Investors

The board, the management team and I remain committed to performance with integrity. In other words, we believe that you can get great financial performance with the highest standards of governance and compliance. These concepts are compatible and mutually reinforcing.

Since 2002, we have stayed on a path that includes: a strong and independent board with a presiding director; increased transparency in financial reports and investor meetings; and alignment of CEO and executive compensation with investor interests. Our work has been recognized. The *Financial Times'* annual global survey of CEOs named GE the world's most respected company for the seventh consecutive year and placed us first for corporate governance. The Dow Jones Sustainability World Index also named us to their list for our environmental, social and economic programs.

I like and respect our Board of Directors. Its presence is felt throughout the Company. Ralph Larsen, our presiding director, is an excellent sounding board for me and has strong input into the board's agenda. The board interacts with our leaders in formal and informal settings. Roger Penske attended Commercial Finance's annual kickoff meeting; Claudio Gonzalez meets regularly with our Latin America team; Sandy Warner regularly attends Corporate Audit Staff and Controllershship Council meetings; and Shelly Lazarus gives us great insights on our marketing campaigns. Our directors do a great job on the technical "rules of governance." But they also "feel" the culture because they know the people.

The financial report accompanying this letter is historic in that it is our first one covered by Section 404 of The Sarbanes-Oxley Act of 2002 (SOX). Thanks to Keith Sherin, our excellent CFO, our 380-person Corporate Audit Staff and our team of global business controllers, we are compliant from day one. Our Audit Committee, led by Sandy Warner, has been at the center of this process for the last two years. I appreciate all of their hard work.

But what does it mean to you? Is it a "check-the-box" bureaucracy based on an overreaction to the market scandals of yesterday? None of us likes more regulation, but I actually think SOX 404 is helpful. It takes the process control discipline we use in our factories and applies it to our financial statements. Implementing SOX 404 cost GE \$33 million in 2004. But we think it is a good investment.

Frequently, I get asked whether new regulations and intensified scrutiny have taken the fun out of being a CEO. Sometimes I read about members of the business community fighting to reduce standards and return things to the way they were.

Investors should demand high standards of governance and great performance. Some managers failed investors in the late '90s. Companies were destroyed, value was lost, and billions are being paid because of fraud. This happened. SOX 404 is by no means perfect, but it is a price we are willing to pay to restore investor trust.

To me it is clear: I work for you. We live in a new day. High standards are good. At GE we embed governance and integrity in the operating culture. It starts with Ralph Larsen, our presiding director, and touches every member of the Company. Your management team is spending all of its time growing the Company with the highest integrity. We will not spend any time or resources defending the standards of yesterday.

High standards facilitate growth. They are not a burden. They are good for all of us.

Our Time

Over the last four years I have learned a little humility. Every time I saw the word "anemic" next to our growth rate, I wanted to scream, "Yeah, but ..." Then I remembered those old offensive line days, what it felt like to "play hurt."

Now we feel better. Because our team got better. We are a little more confident and a little less arrogant. We invested in the Company to create a faster-growth portfolio. We built consistent growth capability with technology, services, globalization and commercial excellence. We changed the culture, developing a generation of growth leaders. We played offense while others played defense. We performed.

We are greatly indebted to you, our long-term investors. You have trusted us and you believed in us. And you patiently waited for 2005, when GE would fire on all cylinders.

The future is now. GE is better positioned than ever. This is our time.



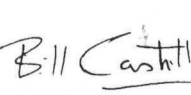
JEFFREY R. IMMELT
Chairman of the Board
and Chief Executive Officer



DENNIS D. DAMMERMAN
Vice Chairman of the Board
and Executive Officer



ROBERT C. WRIGHT
Vice Chairman of the Board
and Executive Officer



SIR WILLIAM M. CASTELL
Vice Chairman of the Board
and Executive Officer

February 11, 2005

GE has the right businesses
in the right markets.

Now GE people are using the
Company's storied operating skills
to realize their new portfolio's
potential.

We're developing Imagination
Breakthroughs through a process
for innovation that applies GE
rigor to the creation of products
and services that benefit
customers.

And that fuel growth.

Today, tomorrow and
in our time to come.

Real Time

Driving growth today

Every day, more than 300,000 people are making growth happen at GE.

Real growth, in real time.

Growth in 100 countries, across 11 businesses.
Growth in a \$100 million box office smash.
Growth in the speed and portability of healthcare.
Growth in a new global brand that says "yes."

Growth that is all around us, even in a slow-growth world.

Growth. Right now.



GE Evolution Locomotive

GE TRANSPORTATION

GE's Evolution locomotive redefines efficiency. The Evolution generates 16 cylinders' worth of horsepower with only 12, cuts key emissions by up to 40% and is the first locomotive to meet new EPA emissions standards—all while delivering as much as 10% lower lifecycle costs to customers. Collaborating with customers, GE tested 50 pre-production models for the equivalent of 45 years of testing in 21 months. ► **The outcome? An evolution in performance and growth, with orders placed for more than 1,200 units.**

(left to right)

ERIC DUCHARME
GE Transportation

TIM SCHWEIKERT
GE Transportation

Growth is in the cards.

Dual Card

GE CONSUMER FINANCE

GE's Dual Card combines the best features of a private-label credit card with the utility and global acceptance of a bank credit card. Consumers benefit from enhanced loyalty programs, no annual fees, larger credit lines and the ability to use the card both in and out of GE's retail partners' stores. Retailers benefit from consumers' dramatically increased use of a Dual Card. And increased use of the card benefits GE. ► **By turning single cards into Dual Cards, Consumer Finance has added an incremental \$1 billion in assets.**

JEFF MANCHESTER
GE Consumer Finance



Digital Content

NBC UNIVERSAL

The combination of NBC and Vivendi Universal Entertainment has created one of the world's leading producers, developers and marketers of media content for a new age. ► **With broadband proliferation a reality, NBC Universal is ready to deliver news, information and entertainment to the digital device of the consumer's choice**—be it a mobile phone, high-definition DVD or the Internet—or even a television set, as is now possible through NBC Weather Plus, the nation's first all-digital broadcast network.

(left to right)
NBC WEATHER PLUS
NBC Nightly News
with Brian Williams
Late Night with
Conan O'Brien
UNIVERSAL PICTURES'
Ray

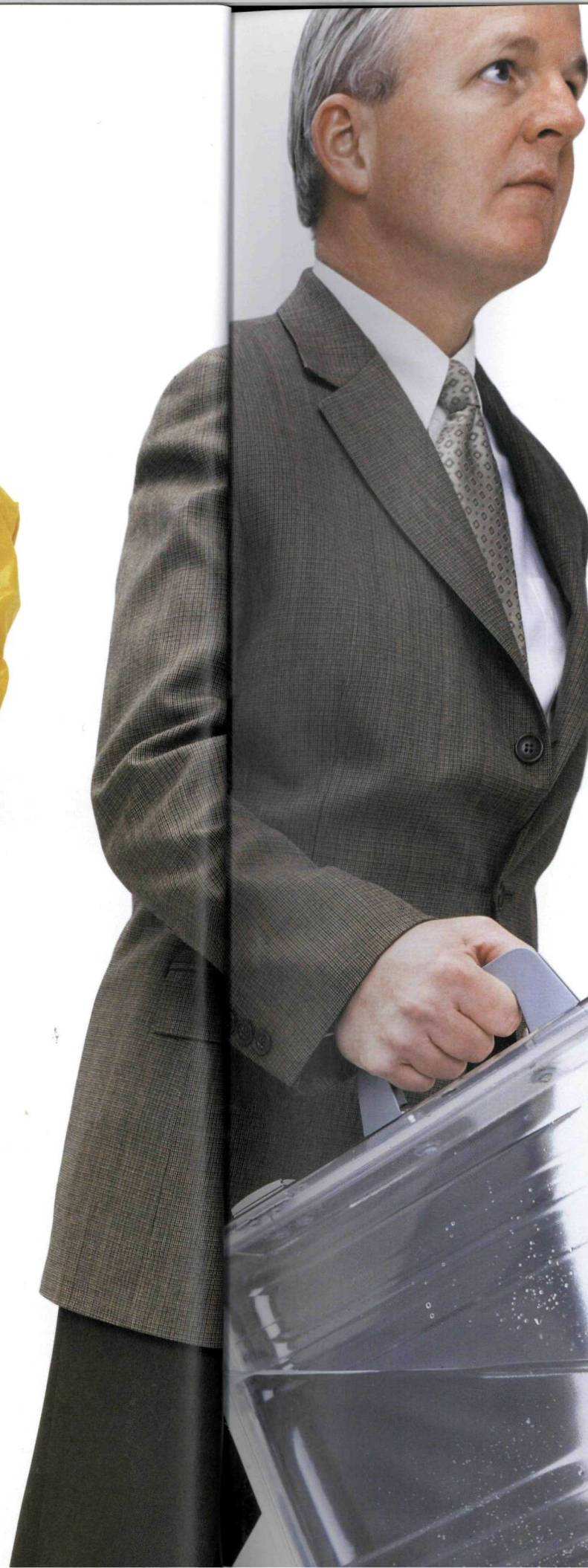
Making the world safer, one particle at a time.

Biodetection

GE INFRASTRUCTURE

It takes 16 to 72 hours on average to respond fully to a potential biological threat, with much of that time spent identifying what has been encountered. And yet every second counts in treating those who are exposed. ► **GE's new suite of biodetection products includes an innovative, nano-technology-based sampler and analyzer that decreases the average response time to minutes while minimizing false alarms.** Such speed can accelerate treatment and help limit a threat's ability to spread. In 2005, GE plans to add these biodetection capabilities to GE StreetLab®, a portable device that detects both drugs and explosives. Biodetection is an estimated \$500 million segment of the security industry that is growing at more than 10% annually.

BILL MCGANN
GE Infrastructure



Mobile Water

GE INFRASTRUCTURE

To get help quickly to where it's needed most, GE has put water on wheels. Water is essential for hundreds of manufacturing processes, and a disruption of the water supplies involved could devastate a business. ► **Mobile Water is a trailer-mounted system that delivers high-purity water 24/7.** Its round-the-clock availability and flexibility help customers avoid productivity losses due to outages planned or unplanned; in some cases, it provides a longer-term solution free of costly investment. With the acquisition of Ionics, GE will increase its fleet of mobile water systems to more than 600.



(left to right)

KERRY MURPHY
GE Infrastructure

RENGARAJAN RAMESH
GE Infrastructure



European Corporate Finance GE COMMERCIAL FINANCE

With nearly \$10 billion of European assets, GE Commercial Finance is poised to translate its role as a leading provider of leveraged lending in the U.S. into an increased presence in Europe. ► With a wealth of U.S. experience using tools such as Six Sigma and At the Customer, For the Customer in financial services, GE can bring them into a European context to meet customers' distinct needs. In 2004, Commercial Finance quadrupled European financing volumes and doubled earnings as it increased its activity as a lead arranger.

RICH LAXER
GE Commercial Finance

Growth formula: Less = More.

Cleaner Coal GE ENERGY

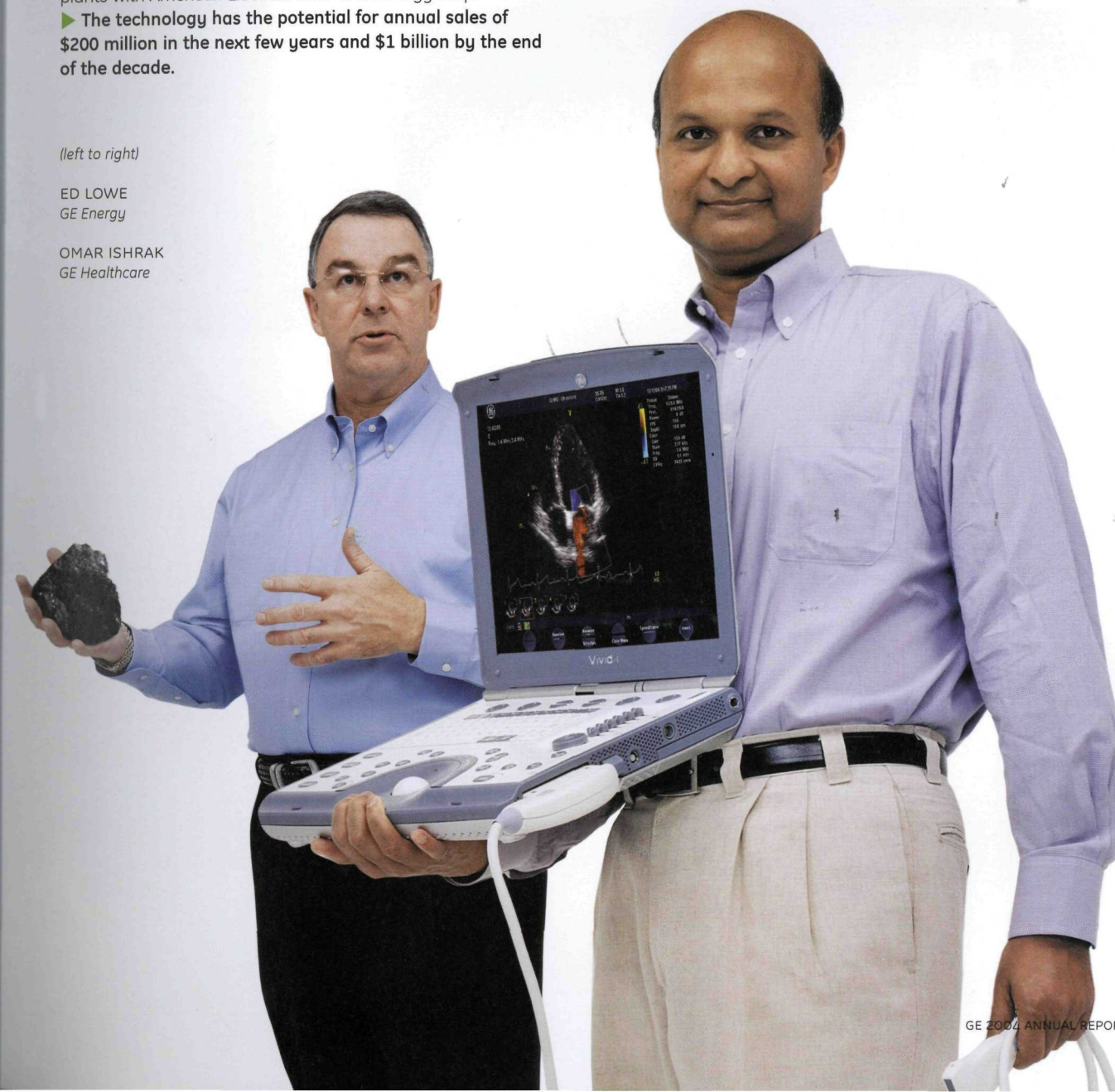
Coal is the world's most abundant fossil fuel, with nearly 200 years of recoverable reserves compared with about 40 years of oil and 70 of natural gas. GE's innovative Cleaner Coal process uses breakthrough technology to convert coal into a gas that can fuel a gas turbine. By removing undesirable compounds such as mercury, particulates and sulfur before the fuel is burned—and by reducing the production of nitrogen oxides—the process is significantly cleaner than traditional coal plants. GE and Bechtel have begun feasibility studies for the construction of cleaner coal plants with American Electric Power and Cinergy Corp.

► The technology has the potential for annual sales of \$200 million in the next few years and \$1 billion by the end of the decade.

(left to right)

ED LOWE
GE Energy

OMAR ISHRAK
GE Healthcare



Vivid i GE HEALTHCARE

Vivid i, a compact cardiovascular ultrasound system, is being hailed as the "visual stethoscope of the future."

► GE engineers miniaturized the components of a sophisticated ultrasound system weighing more than 400 pounds to produce a portable, wireless system weighing only 10 pounds. With Vivid i ultrasound, physicians can conduct diagnostic heart scans virtually anywhere, from a patient's bedside to the operating room to a mobile outpatient clinic, and then call up previous exams or send images to other physicians for real-time consultations. GE estimates the potential market for Vivid i ultrasound is more than \$100 million over the next three years.

GE Money™
GE CONSUMER FINANCE

Behold the power of branding: GE has unified its 250 separate consumer finance brands around the world under one easily recognized banner, GE Money. By combining the speed and efficiency of a finance company with the trustworthiness of a bank, ► **GE Money—fast, flexible, and all about “yes”—is helping customers worldwide receive the financing they need quickly and easily.** That kind of responsiveness resonates around the world. GE Money-branded banks, kiosks and ATMs are open in 17 countries, with plans to re-brand more than 3,000 locations around the world.



ULRIKE GUIGUI
GE Consumer Finance

Life (signs)
in the fast lane.

LightSpeed® VCT
GE HEALTHCARE

► In the time it takes for you to be amazed at what you're seeing, the LightSpeed VCT scanner can scan the heart (in 5 beats)—and by the time you catch your breath, it can scan you head to toe. GE's breakthrough VCT (volume computed tomography) technology obtains not just “slices” but volumes of data about the life-threatening causes of your chest pain—coronary artery disease, pulmonary embolism or aortic dissection—in one short breathhold. As a result, it helps doctors make fast, accurate and noninvasive diagnoses of cardiovascular conditions. GE has already received more than \$150 million of orders for the new device.

(left to right)

BRIAN DUCHINSKY
GE Healthcare

BOB ARMSTRONG
GE Healthcare



Prime Time

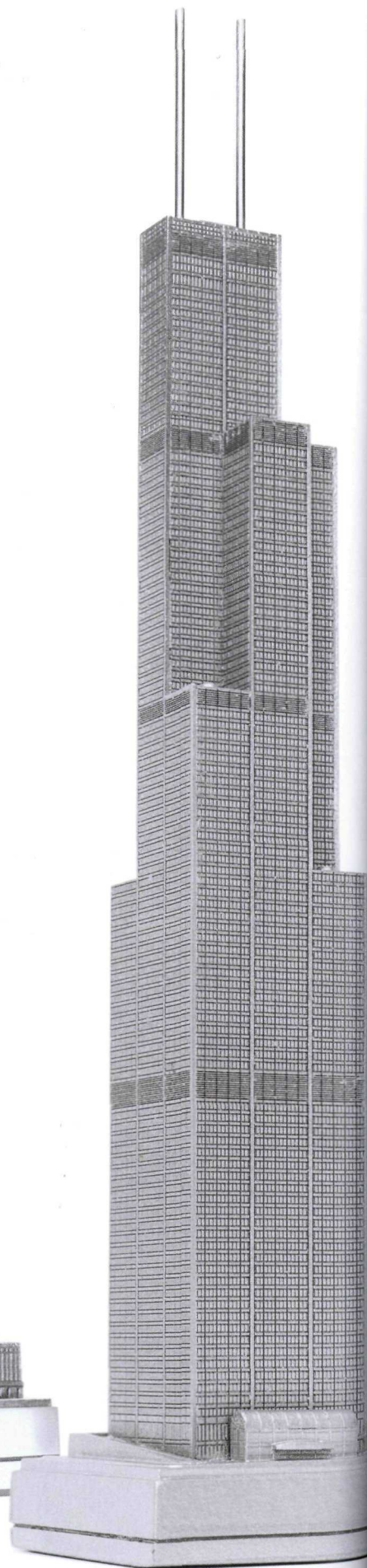
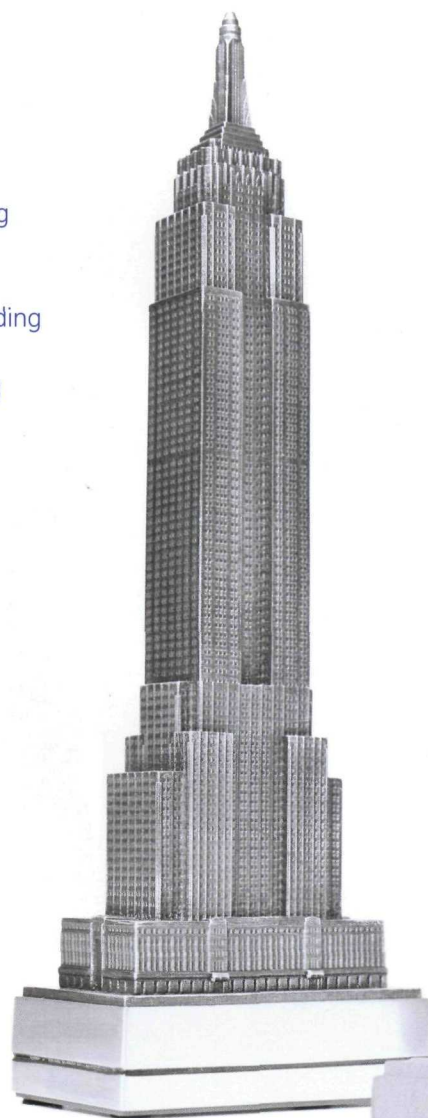
Driving growth tomorrow

Growth is gaining momentum.

And GE leaders are ready to win, helping their customers become more profitable and getting traction in emerging markets.

Growth is harnessing the ocean wind and building a presence in the Middle East. It's increasing precision in diagnostic imaging and quenching consumers' thirst for cleaner water.

Growth is accelerating. GE leaders are driving.



U.S. Large-Cap Lending

GE COMMERCIAL FINANCE

As a leading provider of loans to mid-market companies, GE Commercial Finance saw a natural opportunity to grow into the adjacent market for "large-cap" lending (loans of \$150 million or more). A disciplined market analysis led to a deeper appreciation of the unique customer requirements and competitive dynamics of this new segment.

► **GE Commercial Finance developed a distinct business model with dedicated sales teams, a broader product offering, improved syndication and streamlined loan approvals.** The success of such dramatic changes is usually measured in years, but after only six months, Commercial Finance is already making progress toward its goal of \$100 million of large-cap net income growth by 2007.

STUART ARONSON
GE Commercial Finance

Whole Home Water

GE CONSUMER & INDUSTRIAL

Increasing concern about the quality of water is leading more consumers to purchase point-of-use water treatment devices for their homes. GE is planning to enter this \$1 billion market by offering consumers a simple alternative to these complicated partial systems: ► **an all-in-one system serving every faucet in the home that will filter sand, dirt and rust, reduce lead and mercury, treat for taste and odor, kill bacteria and viruses, and soften water.** This advanced system is one of several breakthrough home products coming from GE, including new innovations in lighting, laundry and cooking.



CYNTHIA FANNING
GE Consumer & Industrial

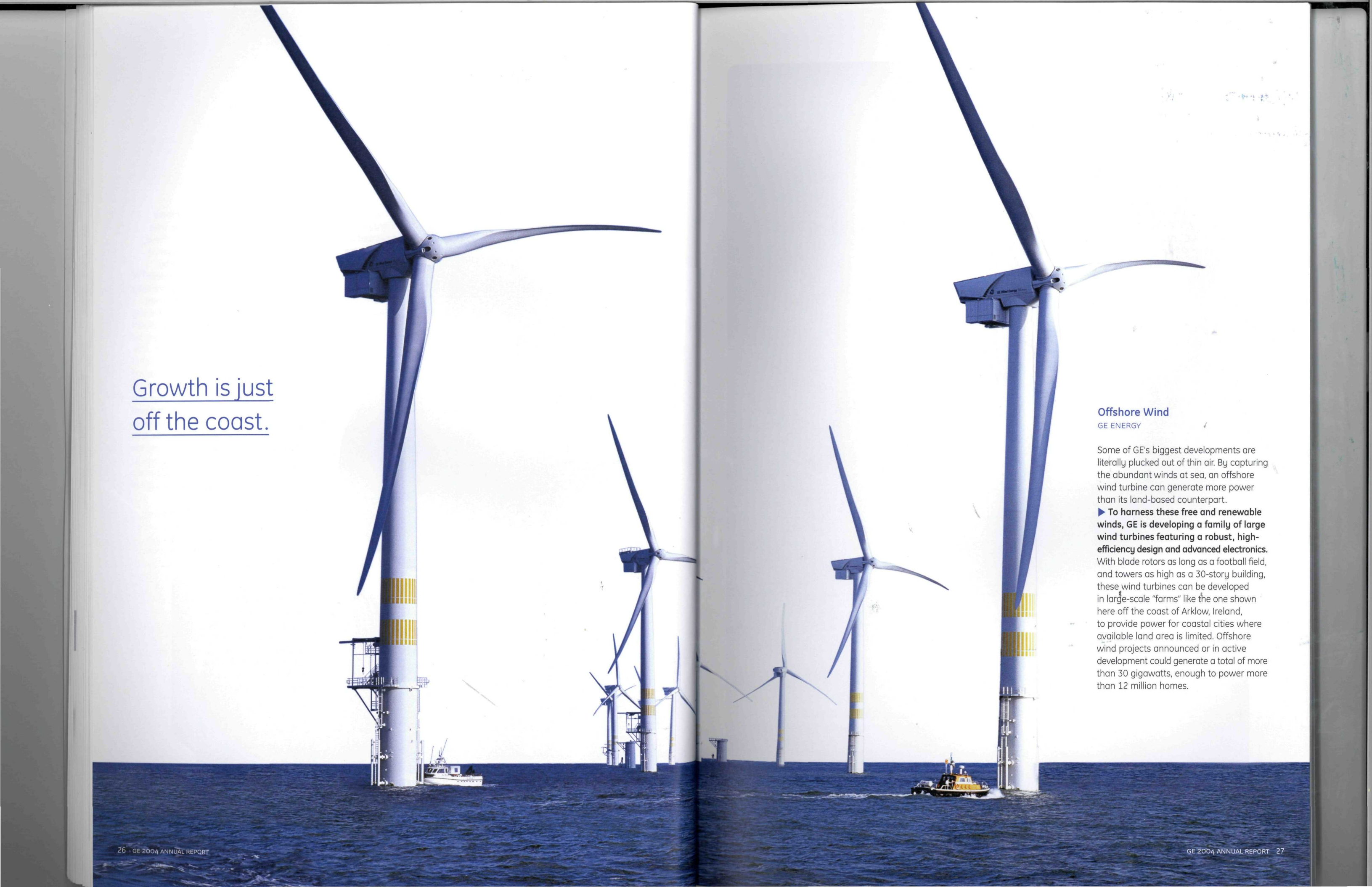
Growth. Engine.

GE_{nx}

GE TRANSPORTATION

GE continues to pioneer the world of flight by making it more energy-efficient and quieter. GE's latest engine, the GE_{nx}, uses advanced compression and combustion technology to achieve dramatic gains in fuel efficiency and durability while delivering fewer emissions. ► **The GE_{nx} engine has been selected by Boeing for its new 787 Dreamliner and by Airbus for its new A350 aircraft,** both of which are expected to provide substantially improved operating economics over today's comparable aircraft. GE expects to begin testing the full GE_{nx} engine in 2006, with entry into commercial service in 2008. The industry estimate for aircraft in this category is approximately 3,000 over the next 20 years.





Growth is just
off the coast.

Offshore Wind GE ENERGY

Some of GE's biggest developments are literally plucked out of thin air. By capturing the abundant winds at sea, an offshore wind turbine can generate more power than its land-based counterpart.

► **To harness these free and renewable winds, GE is developing a family of large wind turbines featuring a robust, high-efficiency design and advanced electronics.** With blade rotors as long as a football field, and towers as high as a 30-story building, these wind turbines can be developed in large-scale "farms" like the one shown here off the coast of Arklow, Ireland, to provide power for coastal cities where available land area is limited. Offshore wind projects announced or in active development could generate a total of more than 30 gigawatts, enough to power more than 12 million homes.

The Middle East

The Middle East is one of the world's fastest-growing regions. Today it produces more than half of the world's desalinated water, and over the next decade it will require an estimated 30 gigawatts of new power generation capacity. ► **GE's world-class infrastructure technology and its expertise in financing and management make it uniquely qualified to help build the region's energy, transportation, water and healthcare capabilities and establish a foundation for lasting economic growth.**

GE's experience in developing countries has led to the insight that "globalization" means localization, and the Company's Middle East team includes members from virtually every country in the region.



(left to right)

ALI HAKAMI
ISAM MOURSY
NABIL HABAYEB
RANA NAWAS
YIBRAH TESFAZGHI
GE Middle East and Africa



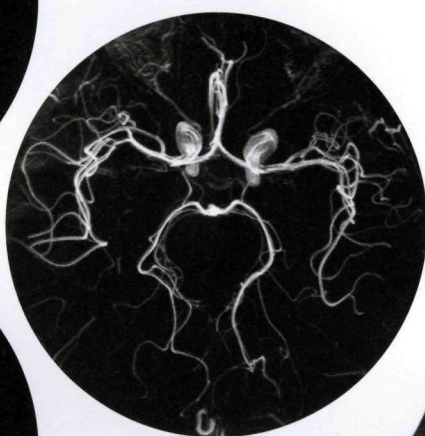
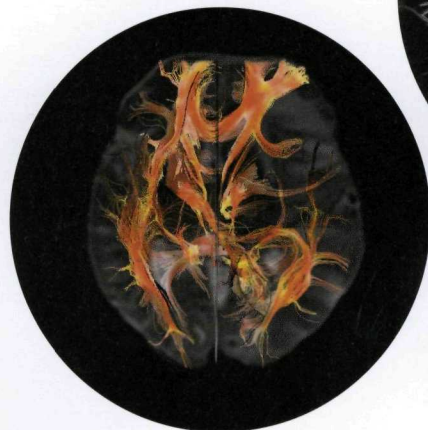
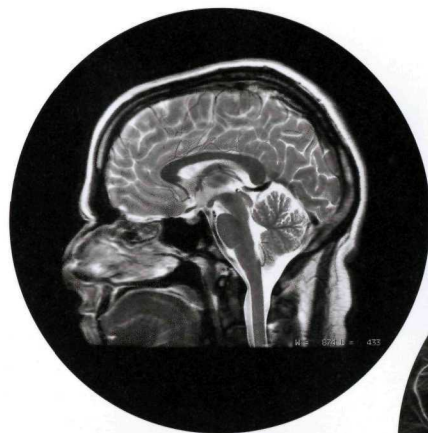
TODD HOFF
GE Advanced Materials

Growth on display.

Display Films

GE ADVANCED MATERIALS

Combine GE's LEXAN® optical resins, clean room manufacturing and optical science, and you have entirely new materials for use in liquid crystal displays. By embedding new, proprietary technology directly into its ILLUMINEX™ display films, GE avoids the flaking and deterioration of competing products—an improvement that may help customers increase their yields and enable more reliable, higher-quality displays. ► **GE is distinguishing itself in a growing \$1.5 billion segment** with clear benefits for monitor manufacturers and users alike.



3T MR

GE HEALTHCARE

At the heart of GE's 3T MR system is a powerful and compact 3 Tesla-strength magnet that enables the capture of images **► not only of the anatomy of the brain, but of the brain's actual function and "wiring" of white matter tracts.** This breakthrough in MR (magnetic resonance) technology can help surgeons perform pre-surgical planning that allows them to avoid key areas of the brain during surgery, including those that control critical functions such as speech and motor skills. The global market for MR imaging devices is growing at 35% per year.



Optimizing capacity. All the live- long day.

Digital Railroad™

GE TRANSPORTATION

At any given moment a major railroad has hundreds of trains moving over tens of thousands of miles of railroad track. **► Digital Railroad, a set of information and wireless technologies controlled by GE's Precision Dispatch System software, helps railroads navigate through the maze of tracks and hundreds of unforeseen events, from unscheduled track repairs to heavy snow, to improve on-time performance and free up capacity for growth.** Norfolk Southern Railway, the system's first customer, is targeting an increase in system velocity of one to three miles per hour in the first phase of implementation, which translates into a significant increase in freight-carrying capacity.

PRAT KUMAR
GE Transportation

In Time

Driving growth in the future

Growth is on the horizon.

It's growth that's not yet taken final, commercial form — but hovers as an idea, a concept, a "what-if?"

It's the reverberations we'll feel as an entire generation of baby-boomers ages. It's the salt we won't taste in seawater. It's the "over already?" feel of a short-hop flight, and an ornate pattern of opportunity in China.

It's the vision and diligence of GE people watching markets, anticipating customers' needs, and imagining the future as better, more convenient, more valuable.

It's growth that is a long way off. But it's coming.

GE people will bring it home.



Desalination GE INFRASTRUCTURE

By 2025, nearly 50% of the world's population will live in water-stressed areas, according to the World Meteorological Organization, and conservation and reuse alone will not solve global water scarcity.

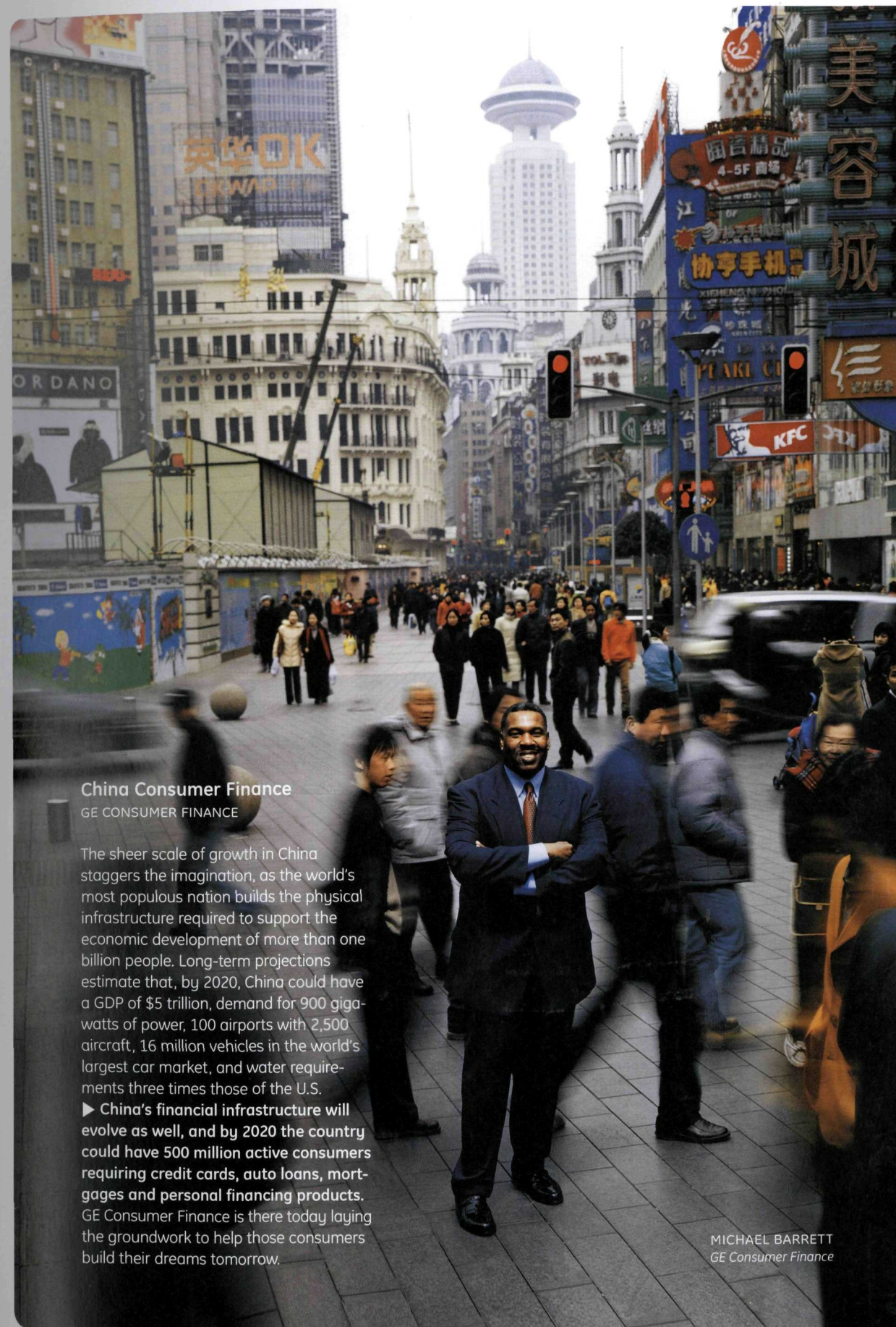
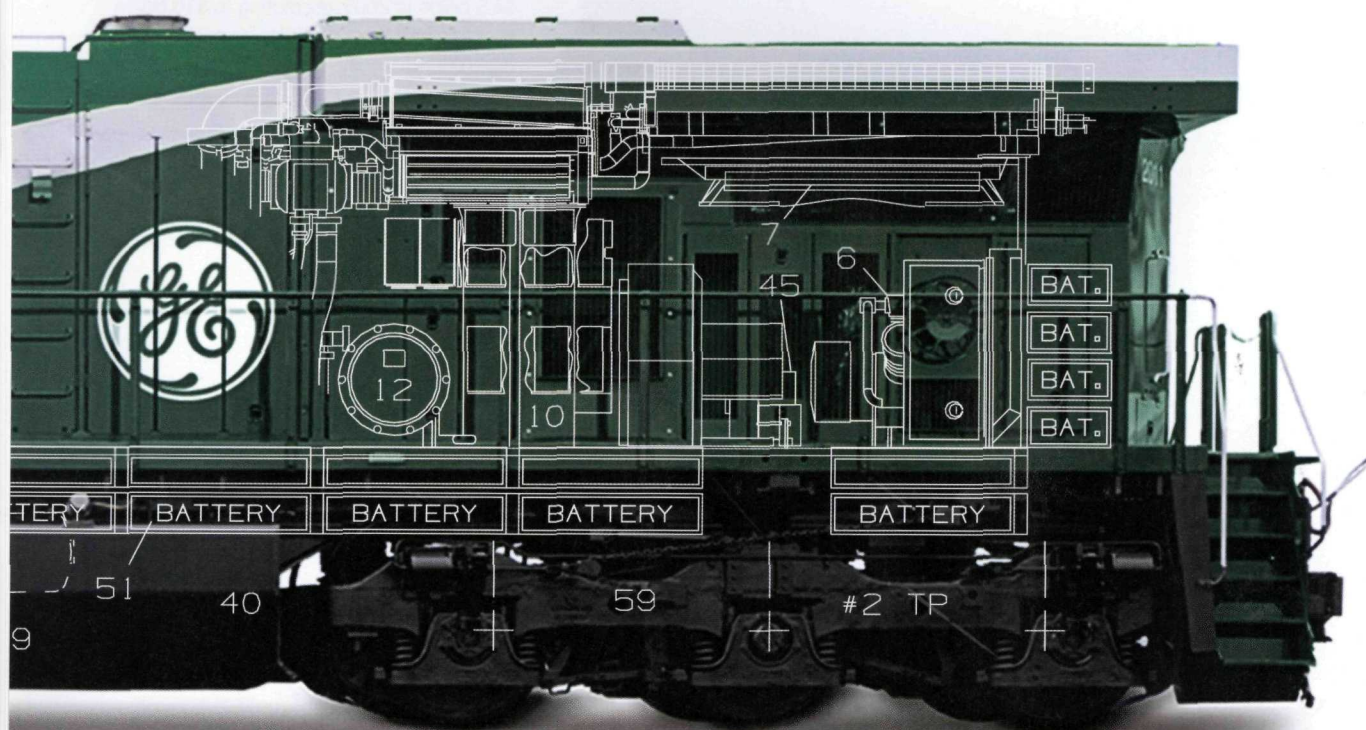
► **Desalination removes saline from brackish or sea water and creates fresh water for drinking, irrigation and industrial use.** GE's unique total system approach helps decrease both the capital investment required and the cost of water production, and it also optimizes energy efficiency. GE is combating today a significant problem of tomorrow: the global market for desalination is projected to be \$4.5 billion in 2005, escalating to \$10 billion by 2014 and then doubling or even tripling by 2025.

LYNNE ROWLAND
GE Infrastructure

Stop. Store. Grow.

Hybrid Locomotive GE TRANSPORTATION

The energy dissipated in braking a 207-ton locomotive is enough to power 150 households. ► According to GE engineers, a locomotive that could capture all that dynamic energy and store it in batteries for later use could generate a 2,000-horsepower boost and use up to 15% less fuel than the industry-leading GE Evolution—and reduce emissions another 10%. In addition to environmental advantages, a hybrid would operate more efficiently in higher altitudes and up steep inclines. GE is working to unleash this potential to drive future performance and growth.



China Consumer Finance GE CONSUMER FINANCE

The sheer scale of growth in China staggers the imagination, as the world's most populous nation builds the physical infrastructure required to support the economic development of more than one billion people. Long-term projections estimate that, by 2020, China could have a GDP of \$5 trillion, demand for 900 gigawatts of power, 100 airports with 2,500 aircraft, 16 million vehicles in the world's largest car market, and water requirements three times those of the U.S.

► China's financial infrastructure will evolve as well, and by 2020 the country could have 500 million active consumers requiring credit cards, auto loans, mortgages and personal financing products. GE Consumer Finance is there today laying the groundwork to help those consumers build their dreams tomorrow.

MICHAEL BARRETT
GE Consumer Finance



Very Light Jet GE TRANSPORTATION

Eighty-five percent of business travel is by car—for now. ▶ A new class of jet engine being commercialized by a GE-Honda joint venture could enable travelers to make 300- to 500-mile trips three times faster than by car or commercial airline. The engine (shown here with the GE90™-115B, the world's largest jet engine) could create a new "on demand" market, which by 2020 could include as many as 2,000 small jet aircraft flying four to eight passengers among the vast number of small airports not served by major airlines.

GARY LEONARD
GE Transportation

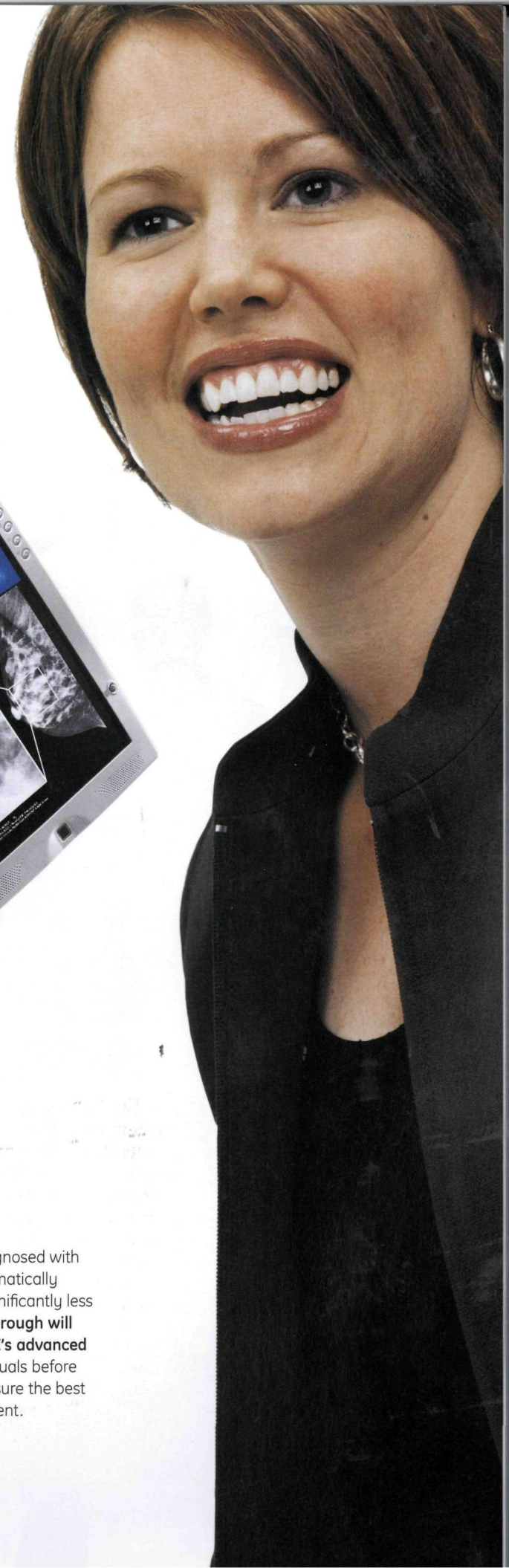
APRIL DORCAS
GE Healthcare



Saving a million tomorrows.

Holistic Breast Cancer Management GE HEALTHCARE

This year, more than one million women will be diagnosed with breast cancer. Early diagnosis can give them a dramatically higher chance of survival and make the disease significantly less expensive to manage. ▶ GE's Imagination Breakthrough will address breast cancer comprehensively, using GE's advanced healthcare technologies to identify high-risk individuals before the disease appears, diagnose them earlier and ensure the best possible therapies throughout the course of treatment.



Lead Time

Our Businesses

It's our time because...

"We're leaner, faster and smarter than we were a year ago when our business was created with the merger of GE Consumer Products and GE Industrial Systems. We've streamlined our structure, simplified our processes, and generated significant savings that we're reinvesting in new products such as Entellisys™ intelligent switchgear, the GE front-load washer and dryer, and long-life discharge headlamps that will help us lead in our industries. All this adds up to our being more focused and better able to serve our customers than ever before. It's going to be a great year. We have a world of opportunities to grow better together in 2005 and beyond."

Lloyd Trotter and Jim Campbell

"This year, we see more opportunities than ever in almost every aspect of business lending, leasing and financing. By organizing around industries through 'verticals,' we're tailoring Commercial Finance to customer needs. You can expect more from us globally in 2005 as well. Europe represents enormous opportunity, and our European Corporate Finance effort, an Imagination Breakthrough, is a shining example. We're also simpler today, with more efficient, consistent and cost-effective results for us and for our customers. We're easier to do business with, and that's good for customers and for GE. In 2005, Commercial Finance's time will prove more productive—and exciting—than any in our history."

Mike Neal

"We're succeeding in high-growth global markets, including Brazil, eastern Europe and India as well as China. We've invested in proprietary technology and developed dozens of innovative high-performance resin, silicone and quartz products. We're more than offsetting high raw materials prices with productivity, product mix and price. We feel very good about the future."

John Krenicki

"We've taken the actions necessary for better performance. We have increased underwriting discipline, strengthened investment management, renewed our focus on customer service and built the right team to complete a challenging turnaround. Our customers feel it, our associates thirst for it and our investors deserve it."

Ron Pressman

"Our new product pipeline is full of cutting-edge technology, recent acquisitions provide a full range of world-class capabilities in Water and Security, and our plans for simplifying our businesses' organizations and reaching customers in new ways will pay off both in efficiency and growth."

Bill Woodburn

"We are introducing our new global brand, GE Money, into consumer finance markets with huge growth potential. We are harnessing the power of our global financial services business, which we've grown to more than \$150 billion in assets while leveraging the incredible power of the GE brand. We've been averaging more than 100 new product introductions per year across our businesses in 41 countries, and GE Money gives us a powerful new way to deepen and extend our relationship with consumers."

Dave Nissen

(this page, left to right)
LLOYD TROTTER
GE Consumer & Industrial
MIKE NEAL
GE Commercial Finance
RANDY FALCO
NBC Universal
RON MEYER
NBC Universal

(this page, left to right)
DAVE NISSEN
GE Consumer Finance
CHARLENE BEGLEY
GE Transportation
JOHN KRENICKI
GE Advanced Materials
BILL WOODBURN
GE Infrastructure
RON PRESSMAN
GE Insurance

"We're focused on the demands of a new century for more efficient and cleaner ways of producing energy. We have developed the most advanced power turbine technologies available, as exemplified by our H System™ combined-cycle turbine. We have invested in coal gasification technology and diversified our portfolio to include renewable offerings, including wind, solar and biomass. We are providing advanced products and services for the oil and gas industry and have developed innovative services to help all of our customers get the most out of their assets. We're dedicated to meeting the world's energy requirements with solutions that help protect and preserve our environment."

John Rice

"Our strategy is working and building momentum. We have the right people. We are right-sizing the quantity and quality of our assets and aligning them with customer demand. More importantly, we are driving strategic growth and penetrating new markets like eastern Europe, Mexico and China. We're also developing new products like our VeriWise™ trailer-tracking product, an Imagination Breakthrough that's enabling customers to improve productivity as well as cargo security."

Art Harper

"We've got a great slate of films, new venues in which to promote them, and new resources we can use to continue to build our business."

Stacey Snider

"We've got owners who are in it for the long haul and who bring terrific television assets to our film and theme park assets."

Ron Meyer

"We've got a dynamite TV production team and I've got superb colleagues in Stacey, Ron and Randy."

Jeff Zucker

"We've got twice the entertainment assets to market, talented new marketing and sales people, and much more diversified revenues."

Randy Falco

"We've got the best content in the media business, great positioning for the digital media of the future, and I've got Randy Falco, Ron Meyer, Stacey Snider and Jeff Zucker."

Bob Wright

"The world's economies need infrastructure to enable and support growth, particularly in the developing world, where the pace of economic growth is fastest today. GE is uniquely positioned to bring multi-business solutions to some of the world's biggest challenges. And consumers everywhere want access to the same goods and services, whether they are in Paris, Dubai, Moscow or Nairobi. As a truly global company, with employees in many countries around the globe, we can talk to our customers in their own language and with a full understanding of local needs."

Nani Beccalli-Falco

"We are at the epicenter of GE's technological innovations. We have 2,500 scientists and engineers at four research centers around the world researching emerging technologies such as biotechnology, sustainable energy and nanotechnology. We have the opportunity to develop these exciting new technologies and successfully translate them into commercial successes through close interaction with our business marketing and technology teams. It makes us uniquely capable of bringing novel solutions to the marketplace. Our ability to transfer core technologies from one business to another—a breakthrough in imaging helps not only Healthcare but also our security and inspections businesses—is a real competitive advantage. Our passion is innovation; our focus is bringing technology to the marketplace where it can change peoples' lives. That's our heritage and it's why we are thriving today."

Scott Donnelly

"We've emerged from the toughest period in our industry with half a dozen new aircraft engines, a breakthrough locomotive, 30,000 installed engines and locomotives to maintain and upgrade, potential new customers around the globe, and new ways for our customers to get more out of their assets. GE has never blinked in supporting aviation and rail customers worldwide with innovation and services that make them more profitable. We're going to do that with new composites for our aircraft engine blades and new inspection, signaling and control technologies for rail and aviation customers. Merging our aircraft engines and rail operations into a single GE business over the past year has been a complete success. It's hard to imagine a time when our prospects have looked brighter."

Dave Calhoun and Charlene Begley

"As the world's leading diagnostic healthcare company, we are working to transform healthcare and make it safer, more effective and patient-centered. We are combining our expertise in diagnostic and information technologies with our knowledge of genetics to better understand disease and provide doctors with more information to guide their decisions. Our products will enable doctors to predict and diagnose disease earlier and identify the best treatments for each patient."

Bill Castell, Joe Hogan and Peter Loescher



(previous page, left to right)

JOHN RICE
GE Energy

STACEY SNIDER
NBC Universal

ART HARPER
GE Equipment Services

NANI BECCALLI-FALCO
GE International

JEFF ZUCKER
NBC Universal

DAVE CALHOUN
GE Transportation

(this page, left to right)

SCOTT DONNELLY
GE Global Research

JOE HOGAN
GE Healthcare

PETER LOESCHER
GE Healthcare

JIM CAMPBELL
GE Consumer & Industrial

The primary role of GE's Board of Directors is clear: to oversee how management serves the interests of shareowners and other stakeholders. To do this, GE's directors have adopted corporate governance principles aimed at ensuring that the board is independent and is fully informed on the key strategic issues facing GE. GE's goal is to have two-thirds of its board be independent under a strict definition of independence. Today, 11 of GE's 16 directors meet that standard.

Governance



In November 2004, the *Financial Times*' annual survey of 1,100 CEOs from around the world recognized the board's commitment by rating the Company number one in corporate governance. As part of its oversight of management, in 2004, our outside board members made 30 visits to GE businesses. The board also received special briefings on a variety of strategic issues, including: financial structure, controllership and financial risk, technology, security, the competitive strategy of each business, compliance and corporate social responsibility. The board and each of its committees conducted a thorough self-evaluation as part of its normal governance cycle. Each of the committees recommended changes to its key practices and the board updated GE's governance principles. Each of these documents is published in the Governance section of the GE Web site at www.ge.com/governance.

The GE board held 10 meetings in 2004. In December, the board voted to increase GE's quarterly dividend for the 29th consecutive year. The Audit Committee, composed entirely of independent directors, held 10 meetings to review the activities and independence of GE's external auditors and the activities

of GE's internal audit staff. It also reviewed our progress in implementing the internal control requirements of Section 404 of The Sarbanes-Oxley Act of 2002 and compliance with key GE policies and applicable laws. The Management Development and Compensation Committee, composed entirely of independent directors, in nine meetings approved all executive compensation actions for our executive officers and reviewed all executive compensation plans, policies and practices, changes in executive assignments and responsibilities, and key succession plans. The Nominating and Corporate Governance Committee, composed entirely of independent directors, met four times to consider GE's response to corporate governance trends and to nominate directors. The Public Responsibilities Committee, in three meetings, reviewed GE's litigation matters, policy issues relating to security, and GE's policy on charitable contributions.

Finally, we are grateful for the energetic, insightful and constructive service given to GE by Ken Langone, who has decided not to stand for re-election to the board.

EXTERNAL DIRECTORS (previous page, left to right)

Claudio X. Gonzalez ^{1, 2, 3}
Chairman of the Board and Chief Executive Officer, Kimberly-Clark de Mexico, S.A. de C.V., Mexico City, and Director, Kimberly-Clark Corporation, consumer products. Director since 1993.

Ann M. Fudge ⁴
Chairman and Chief Executive Officer, Young & Rubicam Inc., advertising and media services, New York, N.Y. Director since 1999.

Robert J. Swieringa ¹
Anne and Elmer Lindseth Dean and Professor of Accounting, S.C. Johnson Graduate School of Management, Cornell University, Ithaca, N.Y. Director since 2002.

Roger S. Penske ⁴
Chairman of the Board, Penske Corporation, Penske Truck Leasing Corporation and United Auto Group, Inc., transportation and automotive services, Detroit, Mich. Director since 1994.

Sam Nunn ^{2, 4}
Co-Chairman and CEO, Nuclear Threat Initiative, Washington, D.C. Director since 1997.

James I. Cash, Jr. ^{1, 4}
Retired James E. Robison Professor of Business Administration, Harvard Graduate School of Business, Boston, Mass. Director since 1997.

A.G. Lafley ³
Chairman, President and Chief Executive, The Procter & Gamble Company, personal and household products, Cincinnati, Ohio. Director since 2002.

Andrea Jung ^{2, 3}
Chairman of the Board and Chief Executive Officer, Avon Products, Inc., cosmetics, New York, N.Y. Director since 1998.

Kenneth G. Langone ^{1, 3}
Chairman, President and Chief Executive Officer, Invemed Associates, LLC, investment banking and brokerage, New York, N.Y. Director since 1999.

Douglas A. Warner III ^{1, 2, 3}
Former Chairman of the Board, J.P. Morgan Chase & Co., The Chase Manhattan Bank, and Morgan Guaranty Trust Company of New York, investment banking, New York, N.Y. Director since 1992.

Ralph S. Larsen ^{2, 3, 5}
Former Chairman and CEO, Johnson & Johnson, pharmaceutical, medical and consumer products, New Brunswick, N.J. Director since 2002.

Rochelle B. Lazarus ^{3, 4}
Chairman and Chief Executive Officer, Ogilvy & Mather Worldwide, advertising, New York, N.Y. Director since 2000.

INTERNAL DIRECTORS (pictured on page 3)

Jeffrey R. Immelt ⁴
Chairman of the Board and Chief Executive Officer, General Electric Company. Director since 2000.

Sir William M. Castell ⁴
Vice Chairman of the Board and Executive Officer, General Electric Company, and President and Chief Executive Officer, GE Healthcare. Director since 2004.

Dennis D. Dammerman ⁴
Vice Chairman of the Board and Executive Officer, General Electric Company, and Chairman, General Electric Capital Services, Inc. Director since 1994.

Robert C. Wright ⁴
Vice Chairman of the Board and Executive Officer, General Electric Company, and Chairman and Chief Executive Officer, NBC Universal, Inc. Director since 2000.

¹ Audit Committee

² Management Development and Compensation Committee

³ Nominating and Corporate Governance Committee

⁴ Public Responsibilities Committee

⁵ Presiding Director



GE EMPLOYEES AND LOCAL WORKERS
INSTALL A 45-CUBIC METER STORAGE
TANK FOR DRINKING WATER IN
BANDA ACEH, INDONESIA

Photo Credit: Ernest Goh/U.S. Newswire/WpN

Citizenship

Your Company has a long history of supporting the communities where we work and live through GE's unique combination of resources, equipment, and employees' and retirees' heart and soul. Today our responsibility extends to communities around the world. The GE family reacted quickly to respond to the needs of thousands of survivors after the tsunami tragedy in South Asia.

GE employees around the world donated a total of \$3.8 million to the Red Cross/Red Crescent and UNICEF for tsunami relief efforts, which was matched by the GE Foundation and augmented by an additional \$1.1 million in grants. GE donated more than \$10 million in equipment and services, including two water purification systems to Indonesia that have the capacity to provide potable water for tens of thousands of people daily. Two telethons hosted by NBC Universal on its television stations and its broadcast and cable platforms raised approximately \$32 million. In total, the GE family donated more than \$19 million and helped raise millions more.

The GE family continued its strategic philanthropic efforts as well. We completed the first year of a five-year, \$20 million project to improve the infrastructure of hospitals and clinics in Africa with donations of healthcare and power generation equipment, water filtration systems, appliances and lighting.

The GE Foundation invested in improving the equity and quality of and access to education with a total of \$52 million in grants worldwide. Many of those efforts were bolstered by the work of GE volunteers.

In 2004, contributions from the GE Foundation, GE businesses, and employees and retirees totaled over \$150 million and more than one million volunteer hours for key community initiatives.

GE was honored to receive broad recognition for our citizenship initiatives. GE received the Catalyst Award for excellence in developing and promoting women, and the Executive Leadership Council Award for excellence in our work with African-American employees. And GE was added to the Dow Jones Sustainability Index, joining a highly selective group of companies representing the top 10% in 60 industry groups across 34 countries chosen for their environmental, social and economic programs.

Contents

46	Management's Discussion of Financial Responsibility	We begin with a letter from our Chief Executive and Financial Officers discussing our unyielding commitment to rigorous oversight, controllership and visibility to investors.
47	Management's Annual Report on Internal Control Over Financial Reporting	In this report our Chief Executive and Financial Officers provide their assessment of the effectiveness of our internal control over financial reporting. This report is new for 2004 as required by Section 404 of the Sarbanes-Oxley Act of 2002.
47	Report of Independent Registered Public Accounting Firm	Our auditors, KPMG LLP, express their independent opinions that our financial statements are fairly presented and our internal controls, effective.
48	Management's Discussion and Analysis (MD&A)	
48	Operations	We begin the Operations section of MD&A with an overview of our earnings, including a perspective on how the global economic environment has affected our businesses over the last three years. This year, we added a discussion of the types of risks we face and the ways we manage those risks. We then discuss various key operating results for GE industrial (GE) and financial services (GECS). Because of the fundamental differences in these businesses, reviewing certain information separately for GE and GECS offers a more meaningful analysis. Our discussion of segment results includes quantitative and qualitative disclosure about the factors affecting segment revenues and profits, and the effects of recent acquisitions, dispositions and significant transactions. We conclude the Operations section with an overview of our operations from a global perspective and a discussion of environmental matters.
59	Financial Resources and Liquidity	In our Financial Resources and Liquidity section of MD&A, we provide an overview of the major factors that affected our consolidated financial position and insight into the liquidity and cash flow activities of GE and GECS.
66	Selected Financial Data	Selected Financial Data provides five years of financial information for GE and GECS. This table includes commonly used metrics that facilitate comparison with other companies.
68	Critical Accounting Estimates	Critical Accounting Estimates are necessary for us to prepare our financial statements. In this section, we discuss what these estimates are, why they are important, how they are developed and uncertainties to which they are subject.
70	Other Information	We conclude MD&A with an explanation of a new accounting standard and supplemental information to reconcile certain "non-GAAP" financial measures referred to in our report to the most closely associated GAAP financial measures.
72	Audited Financial Statements and Notes	
72	Statement of Earnings	
72	Consolidated Statement of Changes in Shareowners' Equity	
74	Statement of Financial Position	
76	Statement of Cash Flows	
78	Notes to Consolidated Financial Statements	
112	Glossary	For your convenience, we provide a Glossary of key terms used in our financial statements.

We also present our financial information electronically at www.ge.com/investor. This award-winning site is interactive and informative.

Management's Discussion of Financial Responsibility

We believe that great companies are built on a foundation of reliable financial information and compliance with the spirit and letter of the law. For GE, that foundation includes rigorous management oversight of, and an unyielding dedication to, controllership. The financial disclosures in this report are one product of our commitment to high quality financial reporting. In addition, we make every effort to adopt appropriate accounting policies, we devote our full resources to ensuring that those policies are applied properly and consistently and we do our best to fairly present our financial results in a manner that is complete and understandable. While we take pride in our financial reporting, we tirelessly seek improvements, and we welcome your suggestions.

RIGOROUS MANAGEMENT OVERSIGHT

Members of our corporate leadership team review each of our businesses routinely on matters that range from overall strategy and financial performance to staffing and compliance. Our business leaders monitor financial and operating systems, enabling us to identify potential opportunities and concerns at an early stage and positioning us to respond rapidly. Our Board of Directors oversees management's business conduct, and our Audit Committee, which consists entirely of independent directors, oversees our system of internal controls and procedures. We continually examine our governance practices in an effort to enhance investor trust and improve the Board's overall effectiveness. The Board and its committees annually conduct a performance self-evaluation and recommend improvements. Our Presiding Director led three meetings of non-employee directors this year, helping us sharpen our full Board meetings to better cover significant topics. Compensation policies for our executives are aligned with the long-term interests of GE investors. For example, payout of CEO equity grants are contingent on our Company meeting key performance metrics.

DEDICATION TO CONTROLLERSHIP

We maintain a dynamic system of internal controls and procedures—including internal control over financial reporting—designed to ensure reliable financial record-keeping, transparent financial reporting and disclosure, and protection of physical and intellectual property. We recruit, develop and retain a world-class financial team. Our internal audit function, 530 auditors, including 380 members of our Corporate Audit Staff, conducts thousands of financial, compliance and process improvement audits each year, in every geographic area, at every GE business. We recognized the contributions of our controllers and these auditors with a Chairman's Leadership Award in 2005. The Audit Committee oversees the scope and evaluates the overall results of these reviews. Our global integrity policies—the "Spirit & Letter"—require compliance with law and policy, and pertain to such vital issues as upholding financial integrity and avoiding conflicts of interest. These integrity policies are available in 27 languages, and we have provided them to every one of GE's more than 300,000 global employees, holding each of these individuals—from our top management down—personally accountable for compliance. Our integrity policies serve to reinforce key employee responsibilities around the world, and we inquire extensively about compliance. Our strong compliance culture reinforces these efforts by requiring employees to raise any compliance concerns and by

prohibiting retribution for doing so. To facilitate open and candid communication, we have designated ombudspersons throughout the Company to act as independent resources for reporting integrity or compliance concerns. We hold our consultants, agents and independent contractors to the same integrity standards.

VISIBILITY TO INVESTORS

We are keenly aware of the importance of full and open presentation of our financial position and operating results and rely for this purpose on our disclosure controls and procedures, including our Disclosure Committee, which comprises senior executives with detailed knowledge of our businesses and the related needs of our investors. We ask this committee to evaluate the fairness of our financial and non-financial disclosures, and to report their findings to us and to the Audit Committee. We further ensure strong disclosure by holding more than 250 analyst and investor meetings every year. Recognizing the effectiveness of our disclosure policies, investors surveyed annually by *Investor Relations* magazine have given us 24 awards in the last nine years, including Best Overall Investor Relations Program by a mega-cap company for six of those years. We are in regular contact with representatives of the major rating agencies, and our debt continues to receive their highest ratings. We welcome the strong oversight of our financial reporting activities by our independent registered public accounting firm, KPMG LLP, who are engaged by and report directly to the Audit Committee. Beginning this year, U.S. legislation requires management to report on internal control over financial reporting and for auditors to render an opinion on such controls. Our report and the KPMG LLP report for 2004 appear on page 47.

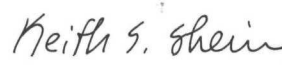
A GREAT COMPANY

GE continues to earn the admiration of the business world. We were named "The World's Most Respected Company" for the seventh consecutive year in the *Financial Times*/PricewaterhouseCoopers annual CEO survey, and again ranked first in corporate governance.

We present our financial information proudly, with the expectation that those who use it will understand our Company, recognize our commitment to performance with integrity, and share our confidence in GE's future.



JEFFREY R. IMMELT
Chairman of the Board and
Chief Executive Officer



KEITH S. SHERIN
Senior Vice President, Finance
and Chief Financial Officer

February 11, 2005

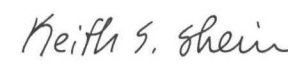
Management's Annual Report on Internal Control Over Financial Reporting

The management of General Electric Company is responsible for establishing and maintaining adequate internal control over financial reporting for the company. With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2004.

General Electric Company's independent auditor, KPMG LLP, a registered public accounting firm, has issued an audit report on our management's assessment of our internal control over financial reporting. This audit report appears below.



JEFFREY R. IMMELT
Chairman of the Board and
Chief Executive Officer



KEITH S. SHERIN
Senior Vice President, Finance
and Chief Financial Officer

February 11, 2005

Report of Independent Registered Public Accounting Firm

To Shareowners and Board of Directors of General Electric Company

We have audited the accompanying statement of financial position of General Electric Company and consolidated affiliates ("GE") as of December 31, 2004 and 2003, and the related statements of earnings, changes in shareowners' equity and cash flows for each of the years in the three-year period ended December 31, 2004. We also have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that GE maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). GE management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on these consolidated financial statements, an opinion on management's assessment, and an opinion on the effectiveness of GE's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and

performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements appearing on pages 72, 74, 76, 53 and 78–111 present fairly, in all material respects, the financial position of GE as of December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, management's assessment that GE maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in *Internal Control—Integrated Framework* issued by COSO. Furthermore, in our opinion, GE maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

As discussed in note 1 to the consolidated financial statements, GE in 2004 and 2003 changed its method of accounting for variable interest entities, in 2003 changed its method of accounting for asset retirement obligations and in 2002 changed its methods of accounting for goodwill and other intangible assets and for stock-based compensation.

Our audits of GE's consolidated financial statements were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating information appearing on pages 73, 75 and 77 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual entities. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.



KPMG LLP
Stamford, Connecticut

February 11, 2005

Operations

Our consolidated financial statements combine the industrial manufacturing, services and media businesses of General Electric Company (GE) with the financial services businesses of General Electric Capital Services, Inc. (GECS or financial services).

We present Management's Discussion of Operations in five parts: Overview of Our Earnings from 2002 through 2004, Global Risk Management, Segment Operations, Global Operations and Environmental Matters.

In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial information but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under the U.S. Securities and Exchange Commission (SEC) rules; those rules require the supplemental explanations and reconciliations provided on page 70.

2004 WAS A YEAR OF PORTFOLIO TRANSITION. As described in our report last year, we simplified our organization on January 1, 2004, by realigning certain businesses within our segment structure. Certain prior-period amounts in this financial section have been reclassified to reflect this reorganization.

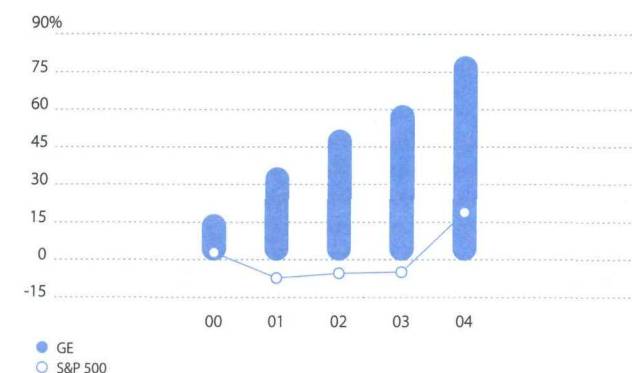
We continued making progress toward our objectives through strategic acquisitions, mergers and dispositions.

- In April 2004, we acquired Amersham plc (Amersham), a world leader in medical diagnostics and life sciences, to complement our existing Healthcare business.
- In May 2004, we combined NBC with Vivendi Universal Entertainment LLLP (VUE) to create one of the world's leading media companies, NBC Universal.
- In May 2004, we also completed an initial public offering of Genworth Financial, Inc. (Genworth), our formerly wholly-owned subsidiary that conducts most of our consumer insurance business, including life and mortgage insurance operations. We sold approximately 30% of the common shares of Genworth to the public, and we expect (subject to market conditions) to reduce our ownership over the next two years as Genworth transitions to full independence. This transaction resulted in a second quarter pre-tax loss of \$0.6 billion (\$0.3 billion after tax), recognized in the Insurance segment.
- In December 2004, we sold a majority interest in Gecis, our global business processing operation, to two leading private investment firms. We received cash proceeds of \$0.6 billion and retained a 40% investment in Gecis. This transaction resulted in a fourth quarter pre-tax gain of \$0.4 billion (\$0.3 billion after tax), recognized in the Equipment & Other Services segment.

WE DECLARED \$8.6 BILLION IN DIVIDENDS IN 2004. Per-share dividends of \$0.82 were up 6% from 2003, following a 5% increase from the preceding year. In December 2004, our Board of Directors raised our quarterly dividend 10% to \$0.22 per share. We have rewarded our shareowners with over 100 consecutive years of dividends, with 29 consecutive years of dividend growth, and our dividend growth for the past five years has significantly outpaced that of companies in the Standard & Poor's 500 stock index.

Except as otherwise noted, the analysis in the remainder of this section presents the results of GE (with GECS included on a one-line basis) and GECS. See the Segment Operations section on page 52 for a more detailed discussion of the businesses within GE and GECS.

GE/S&P CUMULATIVE DIVIDEND GROWTH SINCE 1999



Overview of Our Earnings from 2002 through 2004

The global economic environment must be considered when evaluating our results over the last several years. Important factors for us included slow global economic growth, a weakening U.S. dollar, lower global interest rates, a mild U.S. recession that did not cause significantly higher credit losses, developments in three industries—power generation, property and casualty insurance and commercial aviation—that are significant to us, and escalating raw material prices. As the following pages show in detail, our diversification and risk management strategies enabled us to continue to grow during this challenging time.

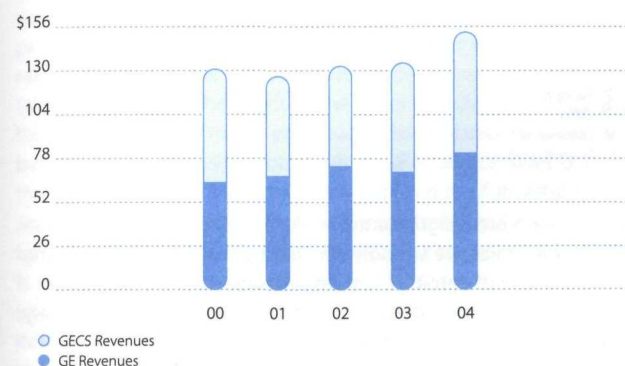
Three segments whose operations have a significant effect on our consolidated results and reflect their changing economic environments are Energy, Insurance and Transportation.

- Energy (14% and 22% of consolidated three-year revenues and total segment profit, respectively) participated in the period of unprecedented U.S. power industry demand that peaked in 2002, a period often referred to as the "U.S. power bubble." The return to normal demand levels is reflected in lower shipments of large heavy-duty gas turbines. In 2004, we sold 122 such units, compared with 175 in 2003 and 323 in 2002. We accurately foresaw the end of the bubble and took action to reduce the effect, right-sizing the business and growing and investing in other lines of the power generation business such as product services and wind energy. We believe the Energy segment is well positioned for its markets in 2005 and beyond.
- Insurance (17% and 4% of consolidated three-year revenues and total segment profit, respectively) was much like most of the property and casualty reinsurance industry, facing volatility throughout the period. In 2002, we recognized losses on our 1997–2001 business, increasing related reserves by \$3.5 billion before tax. In 2003, our turnaround efforts started to pay off and we realized benefits from improved operations as earnings increased by \$2.3 billion to a profit of \$0.5 billion at GE Insurance Solutions. In 2004, improved core performance at

GE Insurance Solutions reflecting the favorable pricing environment was more than offset by U.S. hurricane-related losses and continued adverse loss development, essentially all related to the 1997 through 2001 underwriting years.

- Transportation (10% and 14% of consolidated three-year revenues and total segment profit, respectively) continued to invest in market-leading technology and services. While the commercial aviation industry continues to face challenges and financial pressures that affect our commercial aviation business, our business model succeeds by diversification. Product services, the military engines business and our rail equipment and services business continued to be strong. Overall, Transportation reported segment profit that grew \$0.6 billion in 2004 and \$0.2 billion in 2003.

CONSOLIDATED REVENUES
(In billions)



Results at two major segments, Healthcare and NBC Universal, reflected continued investment and growth over the last three years.

- Healthcare (8% and 9% of consolidated three-year revenues and total segment profit, respectively) continued to show strong growth as 2004 revenues and segment profit both rose about 50% since 2002. Our acquisitions of Amersham in 2004 and Instrumentarium in 2003 contributed \$3.2 billion and \$0.6 billion to Healthcare revenues and segment profit, respectively, in 2004. These acquisitions also expanded the breadth of our product and services offerings to the healthcare industry, positioning us well for continued growth.
- NBC Universal (6% and 10% of consolidated three-year revenues and total segment profit, respectively) also contributed a strong performance during the last three years as we continued to invest through acquisitions. Through the combination of NBC and VUE in 2004, and successful acquisitions of Telemundo and Bravo in 2002, we have created a diversified world-class media company. Earnings from the segment increased \$0.6 billion in 2004 following a \$0.3 billion increase in 2003.

Most of our other operations achieved operating results in line with our expectations in the 2002 to 2004 economic environment.

- Commercial and Consumer Finance (in total, 25% and 31% of consolidated three-year revenues and total segment profit, respectively) are large, profitable growth businesses in which we continue to invest with confidence. In a challenging economic environment, these businesses grew earnings by \$0.9 billion and \$1.0 billion in 2004 and 2003, respectively. Solid core growth, disciplined risk management and successful acquisitions have delivered these strong results.
- Infrastructure (2% of consolidated three-year revenues and total segment profit), with growth platforms such as security and water treatment, continued to grow significantly through acquisitions. We foresee dramatic revenue and earnings growth in these platforms through integration of these acquisitions, expanded distribution and new product introductions.
- Advanced Materials, Consumer & Industrial and Equipment & Other Services (in total, 19% and 7% of consolidated three-year revenues and total segment profit, respectively) are particularly sensitive to economic conditions and consequently were affected adversely by the U.S. recession in 2002 and by slow global growth in developed countries. Higher capacity, in combination with declining or weak volume growth in many of these industries, resulted in fierce competitive price pressures. Advanced Materials was hit particularly hard because of additional pressures from significant inflation in certain raw materials such as benzene and natural gas.

As the preceding comments about Healthcare, Insurance and NBC Universal illustrate, acquisitions and dispositions played an important role in our growth strategy. We integrate acquisitions as quickly as possible and only revenues and earnings from the date we complete the acquisition through the end of the fourth following quarter are attributed to such businesses. Acquisitions contributed \$12.3 billion, \$5.4 billion and \$7.2 billion to consolidated revenues in 2004, 2003 and 2002, respectively. Our consolidated net earnings in 2004, 2003 and 2002 included approximately \$1.2 billion, \$0.5 billion and \$0.6 billion, respectively, from acquired businesses. Dispositions affected our operations through lower revenues and earnings in 2004 of \$3.4 billion and \$1.2 billion, respectively, and in 2003 through lower revenues of \$2.3 billion and higher earnings of \$0.2 billion.

Significant matters relating to our Statement of Earnings, which appears on pages 72 and 73, are explained below.

GE SALES OF PRODUCT SERVICES were \$25.8 billion in 2004, a 12% increase over 2003. Increases in product services in 2004 and 2003 were widespread, led by continued strong growth at Transportation, Healthcare, Infrastructure and Energy. Operating profit from product services was approximately \$6.4 billion in 2004, up 21% from 2003, reflecting ongoing improvements at Transportation, Energy and Healthcare.

POSTRETIREMENT BENEFIT PLANS reduced pre-tax earnings by \$1.2 billion and \$0.2 billion in 2004 and 2003, respectively, after contributing \$0.6 billion to pre-tax earnings in 2002. Costs of our principal pension plans increased in 2004 and 2003 primarily because of the effects of:

- Prior years investment losses (reducing pre-tax earnings by \$0.6 billion in 2004 and \$0.4 billion in 2003), and
- Lowering pension discount rates used to calculate 2004 and 2003 pension costs from 6.75% to 6.0% and 7.25% to 6.75%, respectively. Pre-tax earnings in 2004 and 2003 were \$0.4 billion and \$0.2 billion lower, respectively, because of these discount rate reductions.

Benefit costs for these plans in 2003 also increased as compared with 2002 because of plan changes resulting from union negotiations as well as increases in retiree medical and drug costs.

Considering current and expected asset allocations, as well as historical and expected returns on various categories of assets in which our plans are invested, we have assumed that long-term returns on our principal pension plan assets would be 8.5% throughout this period and in 2005. U.S. accounting principles provide for recognition of differences between assumed and actual returns over the average future service life of employees.

We believe our postretirement benefit costs will increase again in 2005 for a number of reasons, including further reduction in discount rates at December 31, 2004, continued recognition of prior years investment losses relating to our principal pension plans, and increases in retiree healthcare costs.

Our principal pension plans had a surplus of \$6.7 billion at December 31, 2004. We will not make any contributions to the GE Pension Plan in 2005. To the best of our ability to forecast the next five years, we do not anticipate making contributions to that plan so long as expected investment returns are achieved. At December 31, 2004, the fair value of assets for our affiliate and other pension plans was \$2.6 billion less than their respective projected benefit obligations. In 2004, we contributed \$0.4 billion to such plans and expect to contribute \$0.3 billion to these plans in 2005.

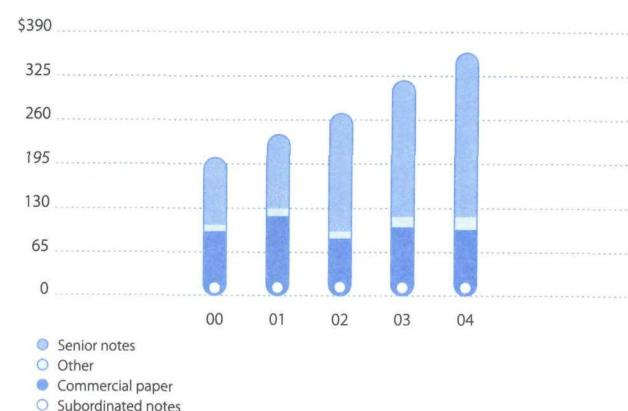
The funding status of our postretirement benefit plans and future effects on operating results depend on economic conditions and investment performance. See notes 5 and 6 for additional information about funding status, components of earnings effects and actuarial assumptions. See page 70 for discussion of pension assumptions.

GE OTHER COSTS AND EXPENSES are selling, general and administrative expenses, which increased 22% to \$12.0 billion in 2004, following an 8% increase in 2003, substantially the result of acquisitions.

INTEREST ON BORROWINGS AND OTHER FINANCIAL CHARGES amounted to \$11.9 billion, \$10.8 billion and \$10.2 billion in 2004, 2003 and 2002, respectively. Substantially all of our borrowings are done through GECS, where interest expense was \$11.4 billion, \$10.3 billion and \$9.9 billion in 2004, 2003 and 2002, respectively. Changes over the three-year period reflected increased average borrowings, partially offset by the effects of lower interest rates. GECS average borrowings were \$322.6 billion, \$309.0 billion and \$250.1 billion in 2004, 2003 and 2002, respectively. GECS average composite effective interest rate was 3.6% in 2004, compared

with 3.3% in 2003 and 4.1% in 2002. Proceeds of these borrowings were used in part to finance asset growth and acquisitions. In 2004, GECS average assets of \$577.3 billion were 11% higher than in 2003, which in turn were 15% higher than in 2002. See page 62 for a discussion of interest rate risk management.

GECS BORROWINGS
(In billions)



INCOME TAXES are a significant cost. As a global commercial enterprise, our tax rates are strongly affected by many factors, including our global mix of earnings, legislation, acquisitions, dispositions and tax characteristics of our income. Our tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions. Because of the number of variables affecting our reported tax results, we have prepared this section to facilitate an understanding of our income tax rates.

Income taxes on consolidated earnings before accounting changes were 17.5%, compared with 21.7% in 2003 and 19.9% in 2002. Our consolidated income tax rate was 4.2 percentage points lower in 2004 than 2003 because the 2004 tax benefits from favorable U.S. Internal Revenue Service (IRS) settlements, the NBC Universal transaction, a partial reorganization of our aircraft leasing business and the sale of a majority interest in Gecis were greater than the tax benefits from certain business dispositions in 2003. Our consolidated income tax rate increased by 1.8 percentage points in 2003 because our tax benefits from 2003 business dispositions were less than our 2002 tax benefits from settlements with the IRS. Income tax rates for all three years were lower because of the increasing share of earnings from lower taxed global operations. A more detailed analysis of differences between the U.S. federal statutory rate and the consolidated rate, as well as other information about our income tax provisions, is provided in note 7. The nature of business activities and associated income taxes differ for GE and for GECS, and a separate analysis of each is presented in the paragraphs that follow.

Because GE tax expense does not include taxes on GECS earnings, the GE effective tax rate is best analyzed in relation to GE earnings excluding GECS. GE's pre-tax earnings excluding GECS were \$10.4 billion, \$10.7 billion and \$14.3 billion for 2004, 2003 and 2002, respectively. On this basis, GE's effective tax rate was 19.0% in 2004, lower by 7.7 percentage points than the 26.7% rate in 2003 and 2002. The 2004 reduction was primarily a result of two items

which decreased the 2004 GE tax rate by 7.2 percentage points—settling several issues with the IRS for the years 1985 through 1999 and tax benefits associated with the NBC Universal transaction. As part of the IRS settlements, we closed two significant issues: the 1997 tax-free exchange of the Lockheed Martin convertible preferred stock we received on the disposition of our Aerospace business in 1993, and a 1998 tax loss on the sale of a Puerto Rican subsidiary. The tax portion of these settlements is included in the line "IRS settlements of Lockheed Martin tax-free exchange/Puerto Rico subsidiary loss" in note 7. The tax benefits associated with the NBC Universal transaction are included in the line "All other—net" in note 7. The 2004 GE effective tax rate also reflects lower pre-tax income, primarily because of lower earnings at Energy and higher costs related to our principal pension plans. Partially offsetting these changes was the nonrecurrence of the 2003 tax benefit, discussed below, on the disposition of GE Superabrasives U.S., Inc.

The 2003 GE rate was reduced by 1.7 percentage points because certain reductions in pre-tax earnings—specifically, lower earnings at Energy and higher costs related to our principal pension plans—affected income taxed at higher than our average rate. The 2003 GE rate was also reduced by 1.0 percentage point (after adjusting for the effect of the lower earnings at Energy and higher costs related to our principal pension plans) from a tax benefit on the disposition of shares of GE Superabrasives U.S., Inc., included in the line "All other—net" in note 7. In 2002, GE entered into settlements with the IRS concerning certain export tax benefits. The effect of these settlements, the tax portion of which is included in the line "Tax on global activities including exports" in note 7, was a reduction of the GE tax rate of 2.7 percentage points. Also in 2002, GE entered into a tax-advantaged transaction to exchange certain assets for the cable network Bravo. The related reduction of 1.0 percentage point in the GE effective tax rate is reflected in the line "All other—net" in note 7.

GECS effective tax rate increased to 15.9% in 2004 from 15.8% in 2003 and negative 1.7% in 2002. The 2004 GECS rate reflects the net benefits, discussed below, of legislation and a partial reorganization of our aircraft leasing operation, which decreased the effective tax rate 1.6 percentage points and is included in the line "Tax on global activities including exports" in note 7; tax benefits from favorable IRS settlements, which decreased the effective tax rate 1.2 percentage points and are included in the line "All other—net" in note 7; and the low-taxed disposition of a majority interest in Gecis which decreased the effective tax rate 0.9 percentage points, and is included in the line "Tax on global activities including exports" in note 7. Offsetting these benefits was the nonrecurrence of the 2003 tax benefit on the disposition of shares of ERC Life Reinsurance Corporation (ERC Life).

As a result of the repeal of the extraterritorial income (ETI) taxing regime as part of the American Jobs Creation Act of 2004 (the Act), the aircraft leasing operations of Commercial Finance no longer qualify for a reduced U.S. tax rate. However, the Act also extended to foreign aircraft leasing, the U.S. tax deferral benefits that were already available to GE's other active foreign operations. As stated above, these legislative changes, coupled with a partial reorganization of our aircraft leasing business and a favorable Irish tax ruling, decreased GECS effective tax rate 1.6 percentage points.

The increase in the effective tax rate from 2002 to 2003 reflects the nonrecurrence of the 2002 losses at GE Insurance Solutions and GE Equity as well as certain 2002 IRS settlements discussed

below, partially offset by a 2.7 percentage point decrease because of the 2003 tax benefit on the disposition of shares of ERC Life.

GECS 2002 effective tax rate reflects the effects of pre-tax losses at GE Insurance Solutions and GE Equity, which reduced the effective tax rate of GECS by 16.7 percentage points, the effects of lower taxed earnings from global operations and favorable tax settlements with the IRS. The benefits of these settlements, which reduced the GECS rate 4.0 percentage points (excluding the GE Insurance Solutions and GE Equity losses), are included in the line "All other—net" in note 7.

Global Risk Management

A disciplined approach to risks is important in a diversified organization such as ours in order to ensure that we are executing according to our strategic objectives and that we only accept risks for which we are adequately compensated. It is necessary for us to manage risk at the individual transaction level, and to consider aggregate risk at the customer, industry, geography and collateral-type levels, where appropriate.

GE's Board of Directors oversees the risk management process through clearly established delegation of authority. Board meeting agendas are jointly developed with management to cover the same risk topics as our Corporate Risk Committee reviews, including environmental, compliance, liquidity, credit, market and event risks.

GECS Board of Directors oversees the risk management process for financial services, including the approval of all significant acquisitions and dispositions and the establishment of borrowing and investment approval limits delegated to the Investment Committee of the Board, the Chairman, the Chief Financial Officer and the Chief Risk Officer. All participants in the risk management process must comply with these approval limits.

The GECS Chief Risk Officer is responsible, through the Corporate Risk Function, for establishing standards for the measurement, reporting and limiting of risk; for managing and evaluating risk managers; for approving risk management policies and for reviewing major risk exposures and concentrations across the organization. The GECS Corporate Risk Function analyzes certain business risks and assesses them in relation to aggregate risk appetite and approval limits set by the GECS Board of Directors.

Threshold responsibility for identifying, quantifying and mitigating risks is assigned to our individual businesses. Because the risks and their interdependencies are complex, we apply a Six Sigma-based analytical approach to each major product line that monitors performance against external benchmarks, proactively manages changing circumstances, provides early warning detection of risk and facilitates communication to all levels of authority. Other corporate functions such as Financial Planning and Analysis, Treasury, Legal and our Corporate Audit Staff support business-level risk management. Businesses that, for example, hedge risk with derivative financial instruments must do so using our centrally-managed Treasury function, providing assurance that the business strategy complies with our corporate policies and achieves economies of scale. We review risks periodically with business-level risk managers, senior management and our Board of Directors.

GECS employs about 10,000 dedicated risk professionals, including 2,700 involved in collection activities and 1,400 specialized asset managers who evaluate leased asset residuals and remarket off-lease equipment.

GE and GECS manage a variety of risks including liquidity, credit, market and event risks.

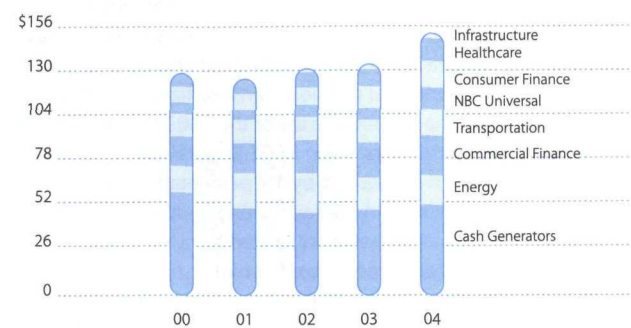
- Liquidity risk is the risk of being unable to accommodate liability maturities, fund asset growth and meet contractual obligations through access to funding at reasonable market rates. Additional information about our liquidity and how we manage this risk can be found on page 59 and in notes 18 and 28.
- Credit risk is the risk of financial loss arising from a customer or counterparty's failure to meet its contractual obligations. We face credit risk in our lending and leasing activities (see pages 59 and 68 and notes 1, 12, 13 and 30) and derivative financial instruments activities (see note 28).
- Market risk is the potential loss in value of investment and other asset and liability portfolios, including financial instruments, caused by changes in market variables, such as interest and currency exchange rates and equity and commodity prices. We are exposed to market risk in the normal course of our business operations as a result of our ongoing investing and funding activities. We attempt to mitigate the risks to our various portfolios arising from changes in interest and currency exchange rates in a variety of ways that often include offsetting positions in local currencies or use of derivatives. Additional information about how we mitigate the risks to our various portfolios from changes in interest and currency exchange rates can be found on page 62 and in note 28.
- Event risk is that body of risk beyond liquidity, credit and market risk. Event risk includes the possibility of adverse occurrences both within and beyond our control. Examples of event risk include natural disasters, availability of necessary materials, guarantees of product performance and business interruption. This type of risk is often insurable, and success in managing this risk is ultimately determined by the balance between the level of risk retained or assumed and the cost of transferring the risk to others. The decision as to the appropriate level of event risk to retain or cede is evaluated in the framework of business decisions. Additional information about how we mitigate event risk can be found in note 30.

Segment Operations

Revenues and segment profit for operating segments are shown on page 53. Effective January 1, 2004, we made changes to the way we report our segments. We have reclassified certain prior-period amounts to conform to the current period's presentation. For additional information, including a description of the products and services included in each segment, see pages 110 and 111.

SEGMENT REVENUES

(In billions)

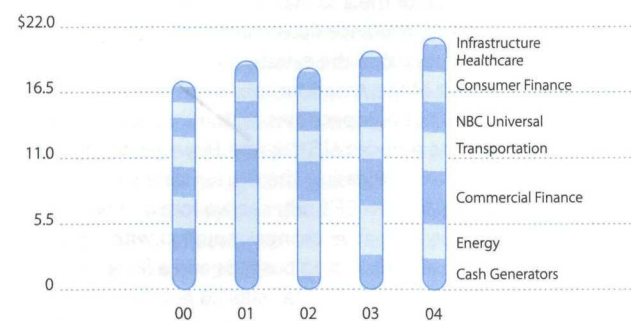


Segment profit is determined based on internal performance measures used by the Chief Executive Officer to assess the performance of each business in a given period. In connection with that assessment, the Chief Executive Officer may exclude matters such as charges for restructuring; rationalization and other similar expenses; in-process research and development and certain other acquisition-related charges; certain gains and losses from dispositions; and litigation settlements or other charges, responsibility for which precedes the current management team.

Segment profit always excludes the effects of principal pension plans and accounting changes. Segment profit excludes or includes interest and other financial charges and segment income taxes according to how a particular segment's management is measured—excluded in determining operating profit for Advanced Materials, Consumer & Industrial, Energy, Healthcare, Infrastructure, NBC Universal and Transportation; included in determining segment profit, which we refer to as "segment net earnings," for Commercial Finance, Consumer Finance, Equipment & Other Services and Insurance.

SEGMENT PROFITS

(In billions)



Summary of Operating Segments

For the years ended December 31 (In millions)

	2004	2003	2002	2001	2000
REVENUES					
Advanced Materials	\$ 8,290	\$ 7,078	\$ 6,963	\$ 7,069	\$ 8,020
Commercial Finance	23,489	20,813	19,592	17,723	17,549
Consumer Finance	15,734	12,845	10,266	9,508	9,320
Consumer & Industrial	13,767	12,843	12,887	13,063	13,406
Energy	17,348	19,082	23,633	21,030	15,703
Equipment & Other Services	8,483	4,427	5,545	7,735	15,074
Healthcare	13,456	10,198	8,955	8,409	7,275
Infrastructure	3,447	3,078	1,901	392	486
Insurance	23,070	26,194	23,296	23,890	24,766
NBC Universal	12,886	6,871	7,149	5,769	6,797
Transportation	15,562	13,515	13,685	13,885	13,285
Corporate items and eliminations	(3,169)	(2,757)	(1,662)	(2,057)	(1,296)
CONSOLIDATED REVENUES	\$152,363	\$134,187	\$132,210	\$126,416	\$130,385
SEGMENT PROFIT					
Advanced Materials	\$ 710	\$ 616	\$ 1,000	\$ 1,433	\$ 1,864
Commercial Finance	4,465	3,910	3,310	2,879	2,528
Consumer Finance	2,520	2,161	1,799	1,602	1,295
Consumer & Industrial	716	577	567	894	1,270
Energy	2,845	4,109	6,294	4,897	2,598
Equipment & Other Services	607	(419)	(388)	(222)	(212)
Healthcare	2,286	1,701	1,546	1,498	1,321
Infrastructure	563	462	297	26	45
Insurance	569	2,102	(95)	1,879	2,201
NBC Universal	2,558	1,998	1,658	1,408	1,609
Transportation	3,213	2,661	2,510	2,577	2,511
Total segment profit	21,052	19,878	18,498	18,871	17,030
GECS goodwill amortization	—	—	—	(552)	(620)
GE corporate items and eliminations	(1,507)	(491)	1,041	819	935
GE interest and other financial charges	(979)	(941)	(569)	(817)	(811)
GE provision for income taxes	(1,973)	(2,857)	(3,837)	(4,193)	(3,799)
Earnings before accounting changes	16,593	15,589	15,133	14,128	12,735
Cumulative effect of accounting changes	—	(587)	(1,015)	(444)	—
CONSOLIDATED NET EARNINGS	\$ 16,593	\$ 15,002	\$ 14,118	\$ 13,684	\$ 12,735

The notes to consolidated financial statements on pages 78–111 are an integral part of this summary.

ADVANCED MATERIALS revenues in 2004 were up 17% to \$8.3 billion reflecting higher volume (\$0.7 billion), higher prices (\$0.4 billion) and the effects of the weaker U.S. dollar (\$0.2 billion). Volume increases resulted from the OSi acquisition (\$0.4 billion) and higher demand for plastic resins and quartz products. Operating profit of \$0.7 billion was 15% higher than in 2003 as productivity (\$0.4 billion) and higher prices (\$0.4 billion) more than offset the effect of higher material costs (\$0.6 billion), primarily from commodities such as benzene and natural gas.

Advanced Materials revenues in 2003 were up 2% to \$7.1 billion as the effects of the weaker U.S. dollar (\$0.3 billion) and the OSi acquisition (\$0.1 billion) more than offset lower core volume (\$0.2 billion). Operating profit of \$0.6 billion in 2003 was 38% lower than in 2002, reflecting higher material costs (\$0.2 billion), primarily benzene, and lower productivity (\$0.2 billion), partially offset by effects of dispositions and the OSi acquisition.

See GE Corporate Items and Eliminations on page 57 for a discussion of items not allocated to this segment.

COMMERCIAL FINANCE

(In millions)	2004	2003	2002
REVENUES	\$23,489	\$20,813	\$19,592
NET REVENUES			
Total revenues	\$23,489	\$20,813	\$19,592
Interest expense	6,083	5,789	5,979
Total net revenues	\$17,406	\$15,024	\$13,613
NET EARNINGS	\$ 4,465	\$ 3,910	\$ 3,310

December 31 (In millions)	2004	2003
TOTAL ASSETS	\$232,123	\$214,125

(In millions)	2004	2003	2002
Real Estate^(a)			
Revenues	\$2,519	\$2,386	\$2,124
Net earnings	957	834	650
Aviation Services^(a)			
Revenues	3,159	2,881	2,694
Net earnings	520	506	454

December 31 (In millions)	2004	2003
Real Estate^(a)		
Total assets	\$33,497	\$27,767
Aviation Services^(a)		
Total assets	37,384	33,271

(a) We provide additional information on two of our segment product lines, Real Estate (commercial real estate financing) and Aviation Services (commercial aircraft financing). Each of these product lines finances a single form of collateral, and each has understandable concentrations of risk and opportunities.

Commercial Finance revenues and net earnings increased 13% and 14%, respectively, compared with 2003. The increase in revenues resulted primarily from acquisitions (\$2.3 billion), the effects of the weaker U.S. dollar (\$0.6 billion) and core growth (\$0.1 billion), partially offset by lower securitization activity (\$0.2 billion) and lower investment gains (\$0.1 billion). The increase in net earnings resulted primarily from acquisitions (\$0.4 billion), core growth (\$0.3 billion) and the effects of the weaker U.S. dollar (\$0.1 billion), partially offset by lower securitization activity (\$0.1 billion).

The most significant acquisitions affecting Commercial Finance results in 2004 were the U.S. leasing business of IKON Office Solutions, acquired during the second quarter of 2004; the commercial lending business of Transamerica Finance Corporation, and Sophia S.A., a real estate company in France, both acquired during the first quarter of 2004; and the assets of CitiCapital Fleet Services, acquired during the fourth quarter of 2003. These acquisitions contributed \$1.9 billion and \$0.3 billion to 2004 revenues and net earnings, respectively.

The 2003 increase in revenues of 6% resulted primarily from acquisitions across substantially all businesses (\$1.1 billion), higher investment gains at Real Estate (\$0.1 billion) and core growth, partially offset by lower securitization activity (\$0.1 billion). The 2003 increase in net earnings of 18% resulted primarily from core growth, acquisitions across substantially all businesses (\$0.2 billion), higher investment gains at Real Estate as a result of the sale of properties and our investments in Regency Centers and Prologis (\$0.1 billion), lower credit losses (\$0.1 billion) resulting from continued improvement in overall portfolio credit quality as reflected by lower delinquencies and nonearning receivables, and growth in lower taxed earnings from global operations (\$0.1 billion).

The most significant acquisitions affecting Commercial Finance 2003 results were the commercial inventory financing business of Deutsche Financial Services and the structured finance business of ABB, both of which were acquired during the fourth quarter of 2002. These two acquisitions contributed \$0.5 billion and \$0.1 billion to 2003 revenues and net earnings, respectively.

CONSUMER FINANCE

(In millions)	2004	2003	2002
REVENUES	\$15,734	\$12,845	\$10,266
NET REVENUES			
Total revenues	\$15,734	\$12,845	\$10,266
Interest expense	3,564	2,696	2,143
Total net revenues	\$12,170	\$10,149	\$ 8,123
NET EARNINGS	\$ 2,520	\$ 2,161	\$ 1,799

December 31 (In millions)	2004	2003
TOTAL ASSETS	\$151,255	\$106,530

Consumer Finance revenues and net earnings increased 22% and 17%, respectively, from 2003. The increase in revenues resulted primarily from core growth (\$1.8 billion), as a result of continued global expansion, acquisitions (\$1.0 billion), the effects of the weaker U.S. dollar (\$0.8 billion) and higher securitization activity (\$0.1 billion), partially offset by the absence of The Home Depot private-label credit card receivables that were sold for a gain in 2003 (\$0.9 billion). The increase in net earnings resulted from core growth, including growth in lower taxed earnings from global operations (\$0.6 billion), acquisitions (\$0.1 billion), and the effects of the weaker U.S. dollar (\$0.1 billion), partially offset by the effects of The Home Depot private-label credit card receivables (\$0.4 billion) and increased costs to launch new products and promote brand awareness in 2004 (\$0.1 billion).

The most significant acquisitions affecting Consumer Finance results in 2004 were WMC Finance Co. (WMC), a U.S. wholesale mortgage lender, acquired during the second quarter of 2004; GC Corporation (GC Card), which provides credit card and sales finance products in Japan, acquired during the third quarter of 2003; and First National Bank, which provides mortgage and sales finance products in the United Kingdom, and the U.S. retail sales finance unit of Conseco Finance Corp. (Conseco), both acquired during the second quarter of 2003. These acquisitions contributed \$0.7 billion and \$0.1 billion to 2004 revenues and net earnings, respectively.

In December 2004, we acquired Australian Financial Investments Group (AFIG), a residential mortgage lender in Australia, with \$13.2 billion in assets and an insignificant effect on 2004 revenues and earnings. We expect this acquisition to be accretive to earnings in 2005.

Revenues increased 25% in 2003 as a result of acquisitions (\$1.1 billion), the effects of the weaker U.S. dollar (\$0.7 billion), core growth as a result of continued global expansion and the premium on the sale of The Home Depot private-label credit card receivables (\$0.1 billion). Net earnings increased 20% in 2003 as a result of core growth, growth in lower taxed earnings from global operations, the premium on the sale of The Home Depot private-label credit card receivables (\$0.1 billion) and acquisitions. These increases were partially offset by lower securitization activity (\$0.2 billion) and lower earnings in Japan, principally as a result of increased personal bankruptcies.

The most significant acquisitions affecting Consumer Finance 2003 results were First National Bank and Conseco, both of which were acquired during the second quarter of 2003. These acquisitions contributed \$0.7 billion and \$0.1 billion to 2003 revenues and net earnings, respectively.

CONSUMER & INDUSTRIAL revenues rose 7% to \$13.8 billion in 2004 as higher volume (\$1.0 billion) and the effects of the weaker U.S. dollar (\$0.2 billion) more than offset lower prices (\$0.3 billion). Operating profit increased 24% to \$0.7 billion as the negative effects of lower prices (\$0.3 billion) and higher labor and indirect costs (\$0.2 billion) were more than offset by productivity (\$0.5 billion) and lower material costs (\$0.1 billion).

In 2003, Consumer & Industrial revenues decreased slightly to \$12.8 billion as lower prices (\$0.3 billion), primarily of home appliances and consumer lighting products, were partially offset by the effects of the weaker U.S. dollar (\$0.2 billion). Operating profit rose slightly in 2003 as productivity (\$0.3 billion), primarily achieved by combining the lighting and appliance businesses, the mix of higher-margin appliances and an investment gain were partially offset by lower prices (\$0.3 billion).

See GE Corporate Items and Eliminations on page 57 for a discussion of items not allocated to this segment.

ENERGY revenues declined 9% to \$17.3 billion as lower volume (\$1.6 billion) and lower prices (\$0.6 billion) were only partially offset by growth in the energy services businesses and the effects of the weaker U.S. dollar (\$0.5 billion). Energy sold 122 large heavy-duty gas turbines in 2004, compared with 175 in 2003. Operating profit in 2004 fell 31% to \$2.8 billion, reflecting lower productivity (\$0.8 billion), primarily from the anticipated decline in higher margin gas turbine sales and a decrease in customer contract termination fees, lower prices (\$0.6 billion) and lower

volume (\$0.3 billion), partially offset by lower material costs (\$0.4 billion). Customer contract termination fees, net of associated costs, were \$0.1 billion in 2004 compared with \$0.6 billion in 2003.

Energy revenues fell 19% to \$19.1 billion in 2003 as growth in the energy services and wind businesses was more than offset by lower volume (\$4.8 billion), reflecting the continued effects of the decline in sales of large, heavy-duty gas turbines (down 46% from 323 units in 2002) and industrial aero-derivative products, partially offset by the net effects of the weaker U.S. dollar (\$0.7 billion). Operating profit dropped 35% to \$4.1 billion in 2003, principally reflecting the combined effects of lower volume (\$1.3 billion), lower productivity (\$0.8 billion) and lower prices (\$0.5 billion). Customer contract termination fees, net of associated costs, were \$0.6 billion in 2003 and \$0.9 billion in 2002, reflecting the decline in demand for new power generation equipment that began in 2002, with such fees primarily occurring in that year and the first half of 2003.

Energy orders were \$18.7 billion in 2004, compared with \$16.0 billion in 2003, reflecting strong demand for wind turbines, services, and oil and gas turbomachinery. The \$14.4 billion total backlog at year-end 2004 comprised unfilled product orders of \$8.9 billion (of which 73% was scheduled for delivery in 2005) and product services orders of \$5.5 billion scheduled for 2005 delivery. Comparable December 31, 2003, total backlog was \$12.5 billion, of which \$7.9 billion was for unfilled product orders and \$4.6 billion for product services.

EQUIPMENT & OTHER SERVICES

(In millions)	2004	2003	2002
REVENUES	\$8,483	\$4,427	\$5,545
NET EARNINGS	\$ 607	\$ (419)	\$ (388)

Equipment & Other Services revenues and net earnings increased \$4.1 billion and \$1.0 billion, respectively, from 2003. Adoption of a January 1, 2004, required accounting change caused revenues to increase \$3.2 billion, as a result of consolidating operating lease rentals (\$2.6 billion) and other income (\$0.6 billion). See note 1. The most significant entity consolidated as a result of this change was Penske Truck Leasing Co., L.P. (Penske), which was previously accounted for using the equity method. Revenue also increased reflecting the sale of a majority interest in Gecis (\$0.4 billion), improved investment returns at GE Equity (\$0.4 billion), the results of consolidated, liquidating securitization entities (\$0.3 billion) and the effects of the weaker U.S. dollar (\$0.1 billion). These increases were partially offset by the absence of the U.S. Auto and Home business that was disposed of in 2003 (\$0.4 billion). Contributing to the increase in net earnings were improved investment returns at GE Equity (\$0.3 billion), the gain on sale of a majority interest in Gecis (\$0.3 billion), improved operating performance at Equipment Services (\$0.2 billion), and the results of consolidated, liquidating securitization entities (\$0.1 billion).

Equipment & Other Services revenues and net earnings in 2003 decreased 20% and 8%, respectively, compared with 2002. More specifically, revenues decreased as a result of the following:

- The exit of certain European operations at IT Solutions (\$1.3 billion) in response to intense competition and transition of the computer equipment market to a direct distribution model,

- Continued poor market conditions and ongoing dispositions and run-offs of IT Solutions and the Auto Financial Services business (\$0.3 billion), and
- Lower asset utilization and price (\$0.2 billion), an effect of industry-wide excess equipment capacity reflective of the then current conditions in the road and rail transportation sector.

These decreases were partially offset by the overall improvement in equity markets and lower level of investment losses in 2003 at GE Equity (\$0.2 billion) and the consolidation of certain securitization entities in our financial statements (\$0.7 billion) as a result of our July 1, 2003, required accounting change. See notes 1 and 29. The decrease in net earnings resulted primarily from lower asset utilization and price (\$0.1 billion) and the absence of a 2002 tax settlement related to Kidder Peabody (\$0.2 billion), offset by improved performance in 2003 at GE Equity (\$0.2 billion) and the tax benefit related to the sale of ERC Life (\$0.1 billion).

HEALTHCARE revenues increased 32% to \$13.5 billion in 2004 as higher volume (\$3.3 billion), primarily from acquisitions including Amersham (\$2.2 billion) and Instrumentarium (\$1.0 billion), and the effects of the weaker U.S. dollar (\$0.4 billion), more than offset lower prices (\$0.4 billion). Operating profit of \$2.3 billion in 2004 was 34% higher than in 2003 as the effects of higher volume (\$0.5 billion) and productivity (\$0.5 billion) more than offset the effects of lower prices (\$0.4 billion).

Healthcare revenues increased 14% to \$10.2 billion in 2003 reflecting \$0.5 billion of sales from recently acquired businesses, primarily Instrumentarium, and other volume growth (\$0.7 billion) that more than offset lower prices (\$0.4 billion). Operating profit of \$1.7 billion in 2003 rose 10% as productivity (\$0.3 billion) and higher volume (\$0.2 billion) more than offset the \$0.4 billion effects of lower prices.

See GE Corporate Items and Eliminations on page 57 for a discussion of items not allocated to this segment.

Orders received by Healthcare in 2004 were \$13.8 billion, compared with \$10.5 billion in 2003. The \$4.7 billion total backlog at year-end 2004 comprised unfilled product orders of \$2.9 billion (of which 92% was scheduled for delivery in 2005) and product services orders of \$1.9 billion scheduled for 2005 delivery. Comparable December 31, 2003, total backlog was \$4.6 billion, of which \$2.8 billion was for unfilled product orders and \$1.8 billion for product services orders.

INFRASTRUCTURE revenues increased 12% to \$3.4 billion in 2004 on higher volume (\$0.3 billion), primarily within our water and security businesses, and the effects of the weaker U.S. dollar (\$0.1 billion). Operating profit rose 22% to \$0.6 billion in 2004 as higher volume and productivity more than offset lower prices.

Infrastructure reported a sharp increase in 2003 revenues, to \$3.1 billion, on higher volume (\$1.0 billion), primarily from acquisitions. The largest of these acquisitions were Betz-Dearborn and Osmonics which contributed \$0.5 billion of revenues in 2003. Operating profit also rose sharply to \$0.5 billion in 2003 on higher volume (\$0.2 billion), primarily from acquisitions.

INSURANCE

(In millions)	2004	2003	2002
REVENUES	\$23,070	\$26,194	\$23,296
NET EARNINGS	\$ 569	\$ 2,102	\$ (95)
GE Insurance Solutions ^(a)			
Revenues	\$10,005	\$11,600	\$ 9,432
Net earnings	36	481	(1,794)

(a) Formerly GE Global Insurance Holding Corporation, the parent of Employers Reinsurance Corporation (ERC).

Insurance revenues and net earnings decreased 12% and 73%, respectively, from 2003. The decrease in revenues resulted primarily from the 2003 dispositions (\$2.5 billion), including GE Edison Life Insurance Company (Edison Life), Financial Guaranty Insurance Company (FGIC) and ERC Life; net declines in volume resulting from strategic exits of certain business channels, primarily at GE Insurance Solutions (\$1.3 billion) and the effects of the Genworth initial public offering (\$0.4 billion). These decreases were partially offset by the effects of the weaker U.S. dollar (\$0.6 billion). Net earnings decreased primarily from the full-year after-tax earnings effects of the Genworth initial public offering (\$0.7 billion), the 2003 dispositions (\$0.5 billion) and the 2004 U.S. hurricane-related losses (\$0.3 billion) at GE Insurance Solutions. Also contributing to the net earnings decrease were reserve actions taken at GE Insurance Solutions related to continued adverse development on liability-related exposures underwritten in 1997–2001 (discussed below). These decreases in net earnings were partially offset by improved core performance at GE Insurance Solutions reflecting the continued favorable premium pricing environment.

Revenues in 2003 increased \$2.9 billion (12%) on increased premium revenues (\$2.2 billion), a gain of \$0.6 billion on the sale of Edison Life, higher investment income (\$0.4 billion) and the effects of the weaker U.S. dollar (\$0.7 billion). The premium revenue increase reflected continued favorable pricing at GE Insurance Solutions (\$0.5 billion), net volume growth at GE Insurance Solutions and certain other insurance businesses (\$0.8 billion), absence of prior year loss adjustments (\$0.4 billion), adjustment of current year premium accruals to actual (\$0.3 billion) and lower levels of ceded premiums resulting from a decline in prior-year loss events (\$0.1 billion). Partial revenue offsets resulted from the absence of revenues following the sale of Edison Life (\$0.7 billion) and a \$0.2 billion loss on the disposition of FGIC at the end of 2003.

Net earnings in 2003 increased \$2.2 billion, primarily from the substantial improvement in current operating results at GE Insurance Solutions (\$2.3 billion) reflecting improved underwriting, lower adverse development (discussed below) and generally favorable industry pricing conditions during the year. Net earnings also benefited from the gain on the sale of Edison Life (\$0.3 billion). These increases were partially offset by the absence of a current year counterpart to the favorable tax settlement with the IRS in 2002 (\$0.2 billion) and the loss on the sale of FGIC (\$0.1 billion after tax).

As described on page 69 under the caption "Insurance Liabilities and Reserves," we routinely update our insurance loss provisions to reflect our best estimates of losses. At year-end 2004, our best estimate of outstanding net property and casualty claim-related liabilities at GE Insurance Solutions was \$17.4 billion.

Few losses in an underwriting year are known exactly at the end of that year; an insurer cannot know a year's exact losses before customers have submitted claims and those claims have been evaluated, adjudicated and settled. This process routinely spans years, and sometimes decades. Like much of the property and casualty insurance industry, GE Insurance Solution's recent operating results have absorbed charges from updates to loss estimates associated with policies written in prior years. This adverse loss development has been most pronounced for certain liability-related risk policies underwritten from 1997 through 2001, principally hospital and professional liability, workers compensation, product liability and asbestos and environmental exposures. Adverse development on prior-years claims and expenses for the three years ended December 31, 2004, amounted to \$5.5 billion. Business that we subsequently exited accounted for 84% of the most recent adverse development. Although we do not anticipate further provisions related to this risk, we observe that the associated losses have not yet fully matured.

In 2002, in light of our adverse loss development, we modified our underwriting processes, rejecting both risks that failed to meet our standards of price, terms or conditions as well as risks for which sufficient historical data did not exist to permit us to make a satisfactory pricing evaluation. Consequently, we curtailed and exited business in particular property and casualty business channels. Higher underwriting standards have yielded substantial improvement in operating results in more recent underwriting years, improvement that is most clearly indicated by our "combined ratio"—the ratio, expressed as a percentage, of claims-related losses and related underwriting expenses to earned premiums. In 2004, GE Insurance Solutions' property and casualty combined ratio was 120%, that is, \$1.20 of costs and losses for each \$1.00 of earned premium. However, as an early indication of the effectiveness of our revised underwriting standards, the combined ratio for the 2004 underwriting year was 100%, even with extensive 2004 natural catastrophe losses—breakeven underwriting even before the contribution of investment income.

NBC UNIVERSAL 2004 revenues were up sharply to \$12.9 billion and operating profit was up 28% to \$2.6 billion. Operations were significantly affected by the May combination of NBC and VUE which increased revenues by \$4.7 billion and, net of effects of the 20% minority interest, operating profit by \$0.6 billion. Other significant 2004 factors affecting results were the Athens Olympic Games (\$0.9 billion higher revenues), price increases (\$0.2 billion of revenues and operating profit), volume (\$0.3 billion of revenues and \$0.1 billion of operating profit) and \$0.3 billion higher NBC Universal operating costs.

NBC Universal revenues decreased 4% to \$6.9 billion in 2003 while operating profit rose 21% to \$2.0 billion. Results and comparability were affected by several events in 2003 and 2002. Higher prices and network sales increased revenues \$0.5 billion in 2003, but were partially offset by advertising reductions because of coverage of the Iraq war (\$0.1 billion). The Salt Lake City Olympic Games and the final year of NBA coverage contributed \$0.7 billion and \$0.3 billion, respectively, to 2002 revenues, but the NBA contract resulted in a loss that exceeded profit from the Olympics. Telemundo and Bravo, both acquired in 2002, together added \$0.7 billion and \$0.1 billion to 2003 revenues and operating profit, respectively. The 2002 exchange of certain assets for Bravo

resulted in \$0.6 billion of gain, \$0.2 billion of which was attributed to NBC Universal's segment results, an amount equal to \$0.2 billion of other charges for impairments in 2002. The remainder was included in GE Corporate Items and Eliminations as discussed below.

TRANSPORTATION revenues rose 15% to \$15.6 billion in 2004 on higher volume (\$1.9 billion), including sales in commercial services and of locomotives and military engines. Operating profit increased 21% to \$3.2 billion as higher volume (\$0.4 billion) and productivity (\$0.2 billion) more than offset the effect of inflation (\$0.1 billion).

In 2003, Transportation revenues decreased slightly to \$13.5 billion reflecting lower volume (\$0.2 billion) primarily related to commercial aircraft and industrial aero-derivative engines, partially offset by higher locomotive sales, higher military spare parts volume and growth in our rail global signaling business. Operating profit rose 6% to \$2.7 billion in 2003 as productivity (\$0.2 billion) largely from workforce efficiency, and lower research and development spending upon completion of certain development programs more than offset the effect of lower volume.

In 2004, Transportation revenues from sales to the U.S. government were \$3.0 billion, compared with \$2.4 billion and \$2.2 billion in 2003 and 2002, respectively.

See GE Corporate Items and Eliminations below for a discussion of items not allocated to this segment.

Transportation received orders of \$14.9 billion in 2004, up from \$13.3 billion in 2003 primarily from strong locomotive and product services demand. The \$13.4 billion total backlog at year-end 2004 comprised unfilled product orders of \$9.3 billion (of which 59% was scheduled for delivery in 2005) and product services orders of \$4.1 billion scheduled for 2005 delivery. Comparable December 31, 2003, total backlog was \$12.9 billion, of which \$9.3 billion was for unfilled product orders and \$3.6 billion for product services orders.

GE CORPORATE ITEMS AND ELIMINATIONS

(In millions)	2004	2003	2002
REVENUES			
Eliminations	\$(3,169)	\$(2,757)	\$(1,662)
OPERATING PROFIT			
Principal pension plans	\$ 124	\$ 1,040	\$ 1,556
Eliminations	(438)	(504)	(558)
Underabsorbed corporate overhead	(777)	(582)	(367)
Not allocated	(548)	(354)	(11)
Other	132	(91)	421
Total	\$(1,507)	\$ (491)	\$ 1,041

GE Corporate Items and Eliminations include the effects of eliminating transactions between operating segments; cost reductions from our principal pension plans, which have declined sharply over the three-year period; liquidating businesses; underabsorbed corporate overhead; certain non-allocated amounts described below; and a variety of sundry items. Corporate overhead is allocated to GE operating segments based on a ratio of segment net cost of operations, excluding direct materials or their equivalent, to total company cost of operations. This caption also includes internal allocated costs for segment funds on deposit.

Certain amounts are not allocated to GE operating segments because they are excluded from the measurement of their operating performance for internal purposes. In 2004, these comprised \$0.4 billion of Healthcare charges, principally related to the write off of in-process research and development projects and other transitional costs associated with Amersham, and a \$0.1 billion charge at Consumer & Industrial as the gain on sale of the motors business was more than offset by costs for inventory obsolescence and other charges. In 2003 and 2002, amounts not allocated to GE operating segments included charges of \$0.2 billion in each year for settlement of litigation, restructuring and other charges at Healthcare; and in 2002, a portion of NBC Universal's gain from the Bravo exchange and \$0.1 billion for restructuring and other charges at Transportation and Advanced Materials.

Other includes a \$0.5 billion gain from the sale of 90% of Global eXchange Services in 2002.

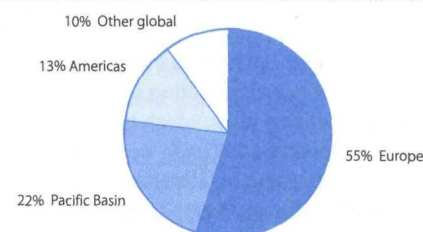
Global Operations

Our global activities span all geographic regions and primarily encompass manufacturing for local and export markets, import and sale of products produced in other regions, leasing of aircraft, sourcing for our plants domiciled in other global regions and provision of financial services within these regional economies. Thus, when countries or regions experience currency and/or economic stress, we often have increased exposure to certain risks, but also often have new profit opportunities. Potential increased risks include, among other things, higher receivable delinquencies and bad debts, delays or cancellations of sales and orders principally related to power and aircraft equipment, higher local currency financing costs and slowdown in established financial services activities. New profit opportunities include, among other things, more opportunities for lower cost outsourcing, expansion of industrial and financial services activities through purchases of companies or assets at reduced prices and lower U.S. debt financing costs.

Estimated results of global activities include the results of our operations located outside the United States plus all U.S. exports. We classify certain GECS operations that cannot meaningfully be associated with specific geographic areas as "Other global" for this purpose.

2004 CONSOLIDATED GLOBAL REVENUES BY REGION

(Including exports from the U.S.)



Global revenues rose 18% to \$71.8 billion in 2004 compared with \$60.8 billion and \$53.4 billion in 2003 and 2002, respectively. Global revenues to external customers as a percentage of consolidated revenues were 43% in 2004, compared with 42% and 37% in 2003 and 2002, respectively. The effects of exchange rates on reported results were to increase revenues by \$3.5 billion, \$3.8 billion and \$0.4 billion in 2004, 2003 and 2002, respectively; and increase earnings by \$0.1 billion in both 2004 and 2003 and decrease earnings by \$0.1 billion in 2002.

CONSOLIDATED GLOBAL REVENUES

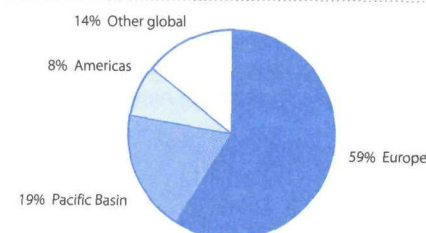
(In millions)	2004	2003	2002
Europe	\$37,000	\$30,500	\$24,800
Pacific Basin	13,100	13,100	12,000
Americas	7,200	5,900	5,200
Other global	5,400	4,600	3,900
	62,700	54,100	45,900
Exports from the U.S. to external customers	9,100	6,700	7,500
Total	\$71,800	\$60,800	\$53,400

GE global revenues were \$42.4 billion, \$33.0 billion and \$29.0 billion in 2004, 2003 and 2002, respectively. The increase in 2004 related to both increased operations outside the U.S. and U.S. exports. GE revenues in Europe rose 40% led by Healthcare and NBC Universal reflecting the Amersham acquisition and the combination of NBC and VUE. GE revenues in the Pacific Basin increased 13% led by Advanced Materials, Infrastructure and Energy. U.S. exports rose 35% on strong growth at Energy and Transportation. The increase in 2003 related to increased operations outside the U.S., partially offset by lower U.S. exports. In 2003, GE revenues in Europe rose 25%, led by Energy, Healthcare and Infrastructure, reflecting the effects of the weaker U.S. dollar and volume growth. GE revenues in the Pacific Basin increased 14% in 2003 as most businesses reported improved results. In 2003, Energy and Infrastructure were the primary contributors to a 16% increase in revenues in the Americas and Energy more than accounted for the 10% decrease in U.S. exports.

GECS global revenues were \$29.4 billion, \$27.8 billion and \$24.4 billion in 2004, 2003 and 2002, respectively. GECS revenues in the Americas increased 47% in 2004, primarily as a result of the acquisition of the commercial lending business of Transamerica Finance Corporation at Commercial Finance. Revenues increased 31% in "Other global" as a result of growth at Commercial Finance and the gain on the sale of a majority interest in Gecis. Revenues in the Pacific Basin decreased 13% primarily as a result of the 2003 divestiture of Edison Life at Insurance. This decrease was partially offset by the effects of the weaker U.S. dollar, acquisitions, primarily GC Card at Consumer Finance, and core growth at Consumer Finance and Commercial Finance.

Global operating profit was \$12.2 billion in 2004, an increase of 39% over 2003, which was 35% higher than in 2002. Operating profit in 2004 rose 45% in Europe reflecting core growth and acquisitions at Consumer Finance and Commercial Finance, the Amersham acquisition at Healthcare and the combination of NBC and VUE. Operating profit also rose 42% to \$2.2 billion in the Americas and 22% to \$2.9 billion in the Pacific Basin and 46% to \$1.3 billion in "Other global."

2004 CONSOLIDATED GLOBAL ASSETS BY REGION



Total assets of global operations were \$323.7 billion in 2004 (43% of consolidated assets), an increase of \$64.8 billion, or 25%, over 2003. GECS global assets grew 24% from \$232.0 billion at the end of 2003 to \$287.7 billion at the end of 2004. GECS assets increased 18% in Europe as a result of the effects of the weaker U.S. dollar (\$13.7 billion), acquisitions (\$9.2 billion), primarily at Commercial Finance and Consumer Finance, and growth at Consumer Finance. GECS assets increased 46% in the Pacific Basin, primarily as a result of acquisitions at Consumer Finance.

Financial results of our global activities reported in U.S. dollars are affected by currency exchange. We use a number of techniques to manage the effects of currency exchange, including selective borrowings in local currencies and selective hedging of significant cross-currency transactions. Such principal currencies are the British pound sterling, the euro, the Japanese yen and the Canadian dollar.

Environmental Matters

Our operations, like operations of other companies engaged in similar businesses, involve the use, disposal and cleanup of substances regulated under environmental protection laws.

We are involved in a sizable number of remediation actions to clean up hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site. Expenditures for site remediation actions amounted to \$0.1 billion in each of the last two years. We presently expect that such remediation actions will require average annual expenditures in the range of \$0.1 billion to \$0.2 billion over the next two years.

The U.S. Environmental Protection Agency (EPA) ruled in February 2002 that approximately 150,000 pounds of polychlorinated biphenyls (PCBs) must be dredged from a 40-mile stretch of the upper Hudson River in New York State. We have submitted what is known as a "Good Faith Offer" under the Superfund law and continue to cooperate and negotiate with the EPA in the implementation of this ruling. Pursuant to negotiated agreements, we have conducted extensive sampling of the project area to determine the location of PCBs that may be dredged and have agreed to undertake the design and engineering of the remedy. The agreements also provide for the reimbursement of certain EPA costs expended in the past and which would be expended in the future. The remedial design and engineering activities are scheduled to be completed during 2006. Negotiations continue concerning performance of the remedial work. Our Statement of Financial Position as of December 31, 2004 and 2003, included liabilities for the estimated costs of this remediation.

Financial Resources and Liquidity

This discussion of financial resources and liquidity addresses the Statement of Financial Position (pages 74-75), Statement of Changes in Shareowners' Equity (page 72) and the Statement of Cash Flows (pages 76-77).

Only a small portion of GECS business is directly related to other GE operations. The fundamental differences between GE and GECS are reflected in the measurements commonly used by investors, rating agencies and financial analysts. These differences will become clearer in the discussion that follows with respect to the more significant items in the financial statements.

Overview of Financial Position

Major changes in our financial position resulted from the following:

- During 2004, we completed the acquisition of Amersham by Healthcare and the combination of NBC and VUE. GECS completed acquisitions of the commercial lending business of Transamerica Finance Corporation; Sophia S.A., a real estate company in France; the U.S. leasing business of IKON Office Solutions; and Benchmark Group PLC, a U.K.-listed real estate property company at Commercial Finance. Consumer Finance completed acquisitions of AFIG and WMC. At their respective acquisition dates, these financial services transactions resulted in a combined increase in total assets of \$32.1 billion, of which \$23.0 billion was financing receivables before allowance for losses, and a combined increase in total liabilities of approximately \$20.5 billion, of which \$18.9 billion was debt.
- Minority interest in equity of consolidated affiliates increased \$10.2 billion during 2004. In connection with the combination of NBC and VUE, NBC Universal issued 20% of its shares to a subsidiary of Vivendi Universal. This is the principal reason GE's minority interest increased \$6.6 billion. GECS minority interest increased \$3.6 billion, primarily because of our sale of approximately 30% of the common shares of Genworth, our formerly wholly-owned subsidiary that conducts most of our consumer insurance business, including life and mortgage insurance operations.
- We adopted Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 46R, *Consolidation of Variable Interest Entities (Revised)*, on January 1, 2004, adding \$2.6 billion of assets and \$2.1 billion of liabilities to our consolidated balance sheet as of that date, primarily relating to Penske.

Statement of Financial Position (pages 74-75)

Because GE and GECS share certain significant elements of their Statements of Financial Position—property, plant and equipment, and borrowings, for example—the following discussion addresses significant captions in the "consolidated" statement. Within the following discussions, however, we distinguish between GE and GECS activities in order to permit meaningful analysis of each individual statement.

INVESTMENT SECURITIES comprise mainly available-for-sale investment-grade debt securities held by Insurance in support of obligations to annuitants and policyholders, and debt and equity securities designated as trading and associated with certain non-U.S. separate accounts for which contractholders retain the related risks and rewards, except in the event of our bankruptcy

or liquidation. Investment securities were \$135.5 billion at the end of 2004, compared with \$129.3 billion at the end of 2003. The increase of \$6.2 billion was primarily the net result of investing premiums received, reinvesting investment income, improvements in debt markets and the effects of the weaker U.S. dollar.

We regularly review investment securities for impairment based on criteria that include the extent to which cost exceeds market value, the duration of that market decline, our intent and ability to hold to recovery and the financial health and specific prospects for the issuer. Of available-for-sale securities with unrealized losses at December 31, 2004, approximately \$0.1 billion was at risk of being charged to earnings in the next 12 months; almost two-thirds of this amount related to commercial airlines.

Impairment losses for 2004 totaled \$0.2 billion compared with \$0.5 billion in 2003. We recognized impairments in both periods for issuers in a variety of industries; we do not believe that any of the impairments indicate likely future impairments in the remaining portfolio.

Gross unrealized gains and losses were \$5.3 billion and \$0.8 billion, respectively, at December 31, 2004, compared with \$4.7 billion and \$1.2 billion, respectively, at December 31, 2003, primarily reflecting an increase in the estimated fair value of debt securities as interest rates declined. We estimate that available gains, net of estimated impairment of insurance intangible assets, could be as much as \$2.2 billion at December 31, 2004. The market values we used in determining unrealized gains and losses are those defined by relevant accounting standards and should not be viewed as a forecast of future gains or losses. See note 9.

At December 31, 2004, unrealized losses with a duration of 12 months or more related to investment securities collateralized by commercial aircraft were \$0.3 billion. The aggregate amortized cost of these available-for-sale securities was \$1.2 billion. We believe that our securities, which are current on all payment terms, are in an unrealized loss position because of ongoing negative market reaction to difficulties in the commercial airline industry. For these securities, we do not anticipate changes in the timing and amount of estimated cash flows, and expect full recovery of our amortized cost. Further, should our cash flow expectation prove to be incorrect, the current aggregate market values of aircraft collateral, based on information from independent appraisers, exceeded totals of both the market values and the amortized cost of our securities at December 31, 2004. See additional discussion of our positions in the commercial aviation industry on page 65.

WORKING CAPITAL, representing GE inventories and receivables from customers, less trade payables and progress collections, increased to \$8.3 billion at the end of 2004 from \$5.3 billion at the end of 2003. The increase was a result of the Amersham acquisition at Healthcare, the combination of NBC and VUE and the effect of the weaker U.S. dollar.

We discuss current receivables and inventories, two important elements of working capital, in the following paragraphs.

CURRENT RECEIVABLES for GE were \$14.5 billion at the end of 2004 and \$11.0 billion at the end of 2003, and included \$10.2 billion due from customers at the end of 2004, compared with \$6.7 billion at the end of 2003. This \$3.5 billion increase reflected higher receivables at NBC Universal resulting from the combination of

NBC and VUE and the acquisition of Amersham by Healthcare. Turnover of customer receivables from sales of goods and services was 9.4 in 2004, compared with 10.4 in 2003. Other current receivables are primarily amounts that did not originate from sales of GE goods or services, such as advances to suppliers in connection with large contracts. See note 10.

INVENTORIES for GE were \$9.6 billion at December 31, 2004, up \$1.0 billion from the end of 2003. This increase reflected higher inventories at Healthcare resulting from the acquisition of Amersham. GE inventory turnover was 8.4 in 2004, an increase from 7.4 in 2003, as a result of increased sales at Transportation while inventory remained relatively flat. See note 11.

FINANCING RECEIVABLES is our largest category of assets and represents one of our primary sources of revenues. The portfolio of financing receivables, before allowance for losses, increased to \$288.1 billion at December 31, 2004, from \$254.2 billion at the end of 2003, as discussed in the following paragraphs. The related allowance for losses at the end of 2004 amounted to \$5.6 billion compared with \$6.3 billion at December 31, 2003, representing our best estimate of probable losses inherent in the portfolio.

A discussion of the quality of certain elements of the financing receivables portfolio follows. For purposes of that discussion, "delinquent" receivables are those that are 30 days or more past due; "nonearning" receivables are those that are 90 days or more past due (or for which collection has otherwise become doubtful); and "reduced-earning" receivables are commercial receivables whose terms have been restructured to a below-market yield.

Commercial Finance financing receivables, before allowance for losses, totaled \$145.4 billion at December 31, 2004, compared with \$135.7 billion at December 31, 2003, and consisted of loans and leases to the equipment, commercial and industrial, real estate and commercial aircraft industries. This portfolio of receivables increased primarily from core growth (\$28.0 billion) and acquisitions (\$13.5 billion), partially offset by securitizations and sales (\$31.5 billion). Related nonearning and reduced-earning receivables were \$1.6 billion (1.1% of outstanding receivables) at December 31, 2004, compared with \$1.7 billion (1.3% of outstanding receivables) at year-end 2003. Commercial Finance financing receivables are generally backed by assets and there is a broad spread of geographic and credit risk in the portfolio.

During 2004, Consumer Finance adopted a global policy for uncollectible receivables that accelerated write-offs to follow one consistent basis. We now write off unsecured closed-end installment loans that become 120 days contractually past due and unsecured open-ended revolving loans that become 180 days contractually past due.

Consumer Finance financing receivables, before allowance for losses, were \$127.8 billion at December 31, 2004, compared with \$94.7 billion at December 31, 2003, and consisted primarily of card receivables, installment loans, auto loans and leases, and residential mortgages. This portfolio of receivables increased as a result of acquisitions (\$15.6 billion), core growth (\$13.1 billion) and the effects of the weaker U.S. dollar (\$7.3 billion). These increases were partially offset by whole loan sales and securitization activity (\$2.0 billion) and the standardization of our write-off policy, which resulted in an increase in write-offs (\$0.9 billion) but had an inconsequential effect on earnings.

Nonearning consumer receivables were \$2.5 billion at December 31, 2004 and 2003, representing 2.0% and 2.6% of outstanding receivables, respectively. The percentage decrease is primarily related to the standardization of our write-off policy and the acquisition of AFIG, which obtains credit insurance for certain receivables, partially offset by higher nonearnings in our European secured financing business.

Equipment & Other Services financing receivables, before allowance for losses, amounted to \$14.9 billion and \$23.8 billion at December 31, 2004 and 2003, respectively, and consisted primarily of financing receivables in consolidated, liquidating securitization entities. This portfolio of receivables decreased because we have stopped transferring assets to these entities. Nonearning receivables at December 31, 2004, were \$0.2 billion (1.2% of outstanding receivables) compared with \$0.1 billion (0.6% of outstanding receivables) at December 31, 2003.

Delinquency rates on managed Commercial Finance equipment loans and leases and managed Consumer Finance financing receivables follow.

	2004	2003	2002
Commercial Finance	1.40%	1.38%	1.75%
Consumer Finance	4.85	5.62	5.62

Delinquency rates at Commercial Finance increased slightly from December 31, 2003 to December 31, 2004, reflecting the effect of certain acquired portfolios, partially offset by improvement in the overall core portfolio. The decline from December 31, 2002 to December 31, 2003, reflected improved economic conditions and collection results.

Delinquency rates at Consumer Finance decreased from December 31, 2003 to December 31, 2004, as a result of the standardization of our write-off policy, the acquisition of AFIG, and the U.S. acquisition of WMC, with lower relative delinquencies as a result of whole loan sales, partially offset by higher delinquencies in our European secured financing business. See notes 12 and 13.

OTHER GECS RECEIVABLES totaled \$14.1 billion at December 31, 2004, and \$12.1 billion at December 31, 2003, and consisted primarily of nonfinancing customer receivables, accrued investment income, amounts due from GE (generally related to certain material procurement programs), amounts due under operating leases, receivables due on sale of securities and various sundry items. Balances at December 31, 2004 and 2003, included securitized, managed GE trade receivables of \$3.1 billion and \$2.7 billion, respectively.

PROPERTY, PLANT AND EQUIPMENT was \$63.3 billion at December 31, 2004, up \$9.9 billion from 2003, primarily reflecting the consolidation of Penske effective January 1, 2004, and acquisitions of commercial aircraft at Commercial Finance. GE property, plant and equipment consisted of investments for its own productive use, whereas the largest element for GECS was equipment provided to third parties on operating leases. Details by category of investment are presented in note 15.

GE expenditures for plant and equipment during 2004 totaled \$2.4 billion, compared with \$2.2 billion in 2003. Total expenditures for the past five years were \$12.9 billion, of which 33% was investment for growth through new capacity and product development; 36% was investment in productivity through

new equipment and process improvements; and 31% was investment for other purposes such as improvement of research and development facilities and safety and environmental protection.

GECS additions to property, plant and equipment were \$10.7 billion and \$7.6 billion during 2004 and 2003, respectively, primarily reflecting additions of commercial aircraft and vehicles at Commercial Finance and of vehicles at Equipment & Other Services.

INTANGIBLE ASSETS were \$83.2 billion at year-end 2004, up from \$55.0 billion at year-end 2003. GE intangibles increased \$24.5 billion from \$30.2 billion at the end of 2003, principally as a result of goodwill and other intangibles related to the combination of NBC and VUE, the Amersham acquisition by Healthcare, acquisitions by Infrastructure and the effects of the weaker U.S. dollar. GECS intangibles increased \$3.7 billion to \$28.5 billion, reflecting goodwill associated with acquisitions, goodwill associated with the consolidation of Penske effective January 1, 2004, and the effects of the weaker U.S. dollar. See note 16.

ALL OTHER ASSETS totaled \$109.9 billion at year-end 2004, an increase of \$17.3 billion. This increase resulted principally from the combination of NBC and VUE, acquisitions affecting real estate and assets held for sale, and additional investments in associated companies, partially offset by the consolidation of Penske, which was previously accounted for using the equity method. See note 17.

CONSOLIDATED BORROWINGS were \$370.9 billion at December 31, 2004, compared with \$329.7 billion at the end of 2003.

GE total borrowings were \$11.0 billion at year-end 2004 (\$3.4 billion short term, \$7.6 billion long term), about the same as at year-end 2003. GE total debt at the end of 2004 equaled 9.1% of total capital, compared with 12.0% at the end of 2003.

GECS total borrowings were \$361.3 billion at December 31, 2004, of which \$154.8 billion is due in 2005 and \$206.5 billion is due in subsequent years. Comparable amounts at the end of 2003 were \$320.3 billion in total, \$155.5 billion due within one year and \$164.8 billion due thereafter. Included in GECS total borrowings were borrowings of consolidated, liquidating securitization entities amounting to \$25.8 billion at December 31, 2004, of which \$9.8 billion was asset-backed senior notes of AFIG, and \$24.8 billion at December 31, 2003. A large portion of GECS borrowings (\$97.4 billion and \$102.6 billion at the end of 2004 and 2003, respectively) was issued in active commercial paper markets that we believe will continue to be a reliable source of short-term financing. The average remaining terms and interest rates of General Electric Capital Corporation (GE Capital) commercial paper were 42 days and 2.39% at the end of 2004, compared with 47 days and 1.40% at the end of 2003. The GE Capital ratio of debt to equity was 6.61 to 1 at the end of 2004 and 6.74 to 1 at the end of 2003. See note 18.

INSURANCE LIABILITIES, RESERVES AND ANNUITY BENEFITS of GECS were \$140.9 billion at December 31, 2004, \$4.5 billion higher than in 2003. The increase is primarily attributable to growth in annuities, long-term care insurance, structured settlements, the effects of the weaker U.S. dollar, increases in loss reserves for policies written in prior years and 2004 U.S. hurricane-related losses. These increases were partially offset by claim settlements and maturities of guaranteed investment contracts (GICs). See note 19.

EXCHANGE RATE AND INTEREST RATE RISKS are managed with a variety of straightforward techniques, including match funding and selective use of derivatives. We use derivatives to mitigate or eliminate certain financial and market risks because we conduct business in diverse markets around the world and local funding is not always efficient. In addition, we use derivatives to adjust the debt we are issuing to match the fixed or floating nature of the assets we are acquiring. We apply strict policies to manage each of these risks, including prohibitions on derivatives trading, derivatives market-making or other speculative activities. Following is an analysis of the potential effects of changes in interest rates and currency exchange rates using so-called "shock" tests that model effects of shifts in rates. These are not forecasts.

- If, on January 1, 2005, interest rates had increased 100 basis points across the yield curve (a "parallel shift" in that curve) and that increase remained in place for 2005, we estimate, based on our year-end 2004 portfolio and holding everything else constant, that our 2005 GE and GECS net earnings would decline pro-forma by \$0.1 billion and \$0.2 billion, respectively.
- If, on January 1, 2005, currency exchange rates were to decline by 10% against the U.S. dollar and that decline remained in place for 2005, we estimate, based on our year-end 2004 portfolio and holding everything else constant, that the effect on our 2005 GE and GECS net earnings would be insignificant.

Statement of Changes in Shareowners' Equity (page 72)

Shareowners' equity increased \$31.1 billion in 2004, \$15.5 billion in 2003 and \$8.9 billion in 2002. These increases were largely attributable to net earnings but were partially offset by dividends declared of \$8.6 billion, \$7.8 billion and \$7.3 billion in 2004, 2003 and 2002, respectively. We issued 341.7 million shares of stock in connection with the Amersham acquisition, increasing equity by \$10.7 billion in 2004. We also issued 119.4 million shares of stock to partially fund the combination of NBC and VUE, increasing equity by \$3.8 billion. Currency translation adjustments increased equity by \$3.9 billion in 2004, compared with \$5.1 billion in 2003. Changes in the currency translation adjustments reflect the effects of changes in currency exchange rates on our net investment in non-U.S. subsidiaries that have functional currencies other than the U.S. dollar. In 2004, the pound sterling, euro and, to a lesser extent, Asian currencies strengthened against the U.S. dollar. In 2003 and 2002, the euro and, to a lesser extent, Asian currencies strengthened against the U.S. dollar. Accumulated currency translation adjustments affect net earnings only when all or a portion of an affiliate is disposed of or substantially liquidated. See note 24.

Overview of Our Cash Flow from 2002 through 2004 (pages 76-77)

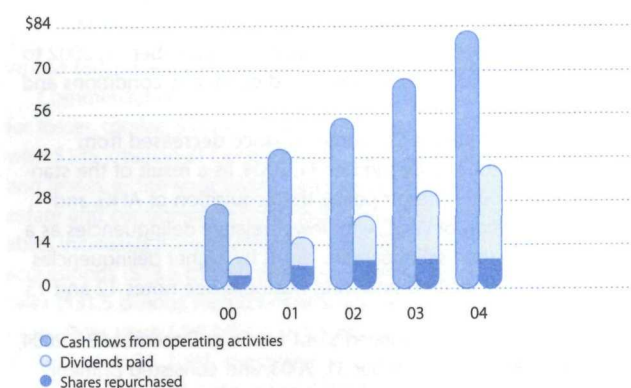
GE cash from operating activities (CFOA) is a useful measure of performance for our non-financial businesses and totaled \$15.2 billion in 2004, \$12.9 billion in 2003 and \$10.1 billion in 2002. Generally, factors that affect our earnings—for example, pricing, volume, costs and productivity—affect CFOA similarly. However, while management of working capital, including timing of collections and payments and levels of inventory, affects operating results only indirectly, the effect of these programs on CFOA can be significant. Excluding progress collections, working capital improvements benefited CFOA by \$2.7 billion since 2002, as we applied our inventory Lean Six Sigma and other working capital management tools broadly.

Our GE Statement of Cash Flows on page 76 shows CFOA in the required format. While that display is of some use in analyzing how various assets and liabilities affected our year-end cash positions, we believe it is also useful to supplement that display and to examine in a broader context the business activities that provide and require cash.

December 31 (In billions)	2004	2003	2002
Operating cash collections	\$ 81.6	\$ 68.4	\$ 67.5
Operating cash payments	(69.5)	(58.9)	(59.4)
Cash dividends from GECS	3.1	3.4	2.0
GE cash from operating activities	\$ 15.2	\$ 12.9	\$ 10.1

The most significant source of cash in CFOA is customer-related activities, the largest of which is collecting cash following a product or services sale. GE operating cash collections increased by about \$13.2 billion during 2004 and by about \$0.9 billion during 2003. These increases are consistent with the changes in comparable GE operating segment revenues, including the 2004 effects of our acquisition of Amersham and the combination of NBC and VUE. Analyses of operating segment revenues on page 52 is the best way of understanding their customer-related CFOA.

GE CUMULATIVE CASH FLOWS SINCE 1999
(In billions)



The most significant operating use of cash is to pay our suppliers, employees, tax authorities and others for the wide range of material and services necessary in a diversified global organization. GE operating cash payments increased in 2004 by about \$10.6 billion, primarily because of the effects of our acquisition of Amersham and the combination of NBC and VUE, and decreased in 2003 by about \$0.5 billion.

Dividends from GECS represented distribution of a portion of GECS retained earnings, including proceeds from certain business sales, and are distinct from cash from operating activities within the financial services businesses, which increased in 2004 by \$4.7 billion to \$26.1 billion and decreased in 2003 by \$0.1 billion to \$21.4 billion. Financial services cash is not necessarily freely available for alternative uses. For example, certain cash generated by our Insurance businesses is restricted by various insurance regulations. See note 23. Further, any reinvestment in financing receivables is shown in cash used for investing, not operating activities. Therefore, maintaining or growing Commercial and Consumer Finance assets requires that we invest much of the

cash they generate from operating activities in their earning assets. Also, we have been increasing the equity of our financial services businesses as discussed on page 64. The amount we show in CFOA is the total dividend, including the normal dividend as well as any special dividends such as proceeds from business sales.

Based on past performance and current expectations, in combination with the financial flexibility that comes with a strong balance sheet and the highest credit ratings, we believe we are in a sound position to grow dividends, execute on our announced \$15 billion share repurchase program and continue making selective investments for long-term growth. With the financial flexibility that comes with excellent credit ratings, we believe that GE and GECS should be well positioned to meet the global needs of its customers for capital and to continue providing our shareowners with good returns.

Contractual Obligations

As defined by reporting regulations, our contractual obligations for future payments as of December 31, 2004, follow:

(In millions)	Payments due by period				
	Total	2005	2006-2007	2008-2009	2010 and thereafter
Borrowings (note 18)	\$370,907	\$157,746	\$85,103	\$47,670	\$80,388
Interest on borrowings	59,000	11,000	16,000	10,000	22,000
Operating lease obligations (note 4)	7,718	1,383	2,240	1,613	2,482
Purchase obligations ^{(a)(b)}	53,000	35,000	11,000	4,000	3,000
Insurance liabilities (note 19) ^(c)	92,000	14,000	19,000	13,000	46,000
Other liabilities ^(d)	68,000	18,000	5,000	3,000	42,000

(a) Included all take-or-pay arrangements, capital expenditures, contractual commitments to purchase equipment that will be classified as equipment leased to others, software acquisition/license commitments, contractual minimum programming commitments and contractually required cash payments for acquisitions.

(b) Excluded funding commitments entered into in the ordinary course of business by our financial services businesses. Further information on these commitments is provided in note 30.

(c) Included guaranteed investment contracts, structured settlements and single premium immediate annuities based on scheduled payouts, as well as those contracts with reasonably determinable cash flows such as deferred annuities, universal life, term life, long-term care, whole life and other life insurance contracts as well as workers compensation tabular indemnity loan and long-term liability claims.

(d) Included an estimate of future expected funding requirements related to our pension and postretirement benefit plans. Because their future cash outflows are uncertain, the following non-current liabilities are excluded from the table above: deferred taxes, derivatives, deferred revenue and other sundry items. Refer to notes 21 and 28 for further information on these items.

Off-Balance Sheet Arrangements

We use off-balance sheet arrangements in the ordinary course of business to improve shareowner returns. Beyond improving returns, these securitization transactions serve as funding sources for a variety of diversified lending and securities transactions. Our securitization transactions are similar to those used by many financial institutions. In a typical transaction, assets are sold by the transferor to a special purpose entity (SPE), which purchases the assets with cash raised through issuance of beneficial interests (usually debt instruments) to third-party investors. Investors in the beneficial interests usually have recourse to the assets in the SPEs and often benefit from credit enhancements supporting the assets (such as overcollateralization). The SPE may also hold derivatives, such as interest rate swaps, in order to match the interest rate characteristics of the assets with those of the beneficial interests. An example is an interest rate swap converting fixed rate assets to variable rates to match floating rate debt instruments issued by the SPE.

Historically, we have used both GE-sponsored and third-party entities to execute securitization transactions in the commercial paper and term markets. With our adoption of FIN 46, *Consolidation of Variable Interest Entities*, on July 1, 2003, we consolidated \$36.3 billion of assets and \$35.8 billion of liabilities in certain sponsored entities and stopped executing new securitization transactions with those entities. We continue to engage in securitization transactions with third-party conduits and through public, market term securitizations. In December 2004, we acquired AFIG which added \$9.1 billion of securitized mortgage loans in consolidated, liquidating securitization entities. Without AFIG, assets in consolidated, liquidating securitization entities were \$17.4 billion, down \$9.0 billion. See note 29.

Assets held by SPEs include: receivables secured by equipment, commercial and residential real estate and other assets; credit card receivables; and trade receivables. Examples of these receivables include loans and leases on manufacturing and transportation equipment, residential mortgages, loans on commercial property, commercial loans, and balances of high credit quality accounts from sales of a broad range of products and services to a diversified customer base. In certain transactions, the credit quality of assets transferred is enhanced by providing credit support. Securitized off-balance sheet assets totaled \$34.4 billion and \$26.8 billion at December 31, 2004 and 2003, respectively.

We provide financial support related to assets held by certain off-balance sheet SPEs through liquidity agreements, credit support, and guarantee and reimbursement contracts. Net liquidity support amounted to \$2.3 billion at December 31, 2004, down from \$3.1 billion a year earlier. Credit support, in which we provide recourse for credit losses in off-balance sheet SPEs, was \$6.6 billion as of December 31, 2004. Potential credit losses are provided for in our financial statements. Based on management's best estimate of probable losses inherent in the portfolio of assets that remain off-balance sheet, our financial statements included \$0.1 billion representing the fair value of recourse obligations at year-end 2004. See note 29.

We periodically enter into guarantees and other similar arrangements as part of transactions in the ordinary course of business. These are described further in note 30.

We have extensive experience in evaluating economic, liquidity and credit risk. In view of this experience, the high quality of assets in these entities, the historically robust quality of commercial paper markets, and the historical reliability of controls applied to both asset servicing and to activities in the credit markets, we believe that, under any reasonable future economic developments, the likelihood is remote that any financial support arrangements could have an adverse economic effect on our financial position or results of operations.

Debt Instruments, Guarantees and Covenants

The major debt rating agencies routinely evaluate the debt of GE, GECS and GE Capital, the major borrowing affiliate of GECS. These agencies have given the highest debt ratings to GE and GE Capital (long-term rating AAA/Aaa; short-term rating A-1+/P-1). One of our strategic objectives is to maintain these ratings as they serve to lower our cost of funds and to facilitate our access to a variety of lenders. We manage our businesses in a fashion that is consistent with maintaining these ratings.

GE, GECS and GE Capital have distinct business characteristics that the major debt rating agencies evaluate both quantitatively and qualitatively.

Quantitative measures include:

- Earnings and profitability, including earnings quality, revenue growth, the breadth and diversity of sources of income and return on assets,
- Asset quality, including delinquency and write-off ratios and reserve coverage,
- Funding and liquidity, including cash generated from operating activities, leverage ratios such as debt-to-capital, market access, back-up liquidity from banks and other sources, composition of total debt and interest coverage, and
- Capital adequacy, including required capital and tangible leverage ratios.

Qualitative measures include:

- Franchise strength, including competitive advantage and market conditions and position,
- Strength of management, including experience, corporate governance and strategic thinking, and
- Financial reporting quality, including clarity, completeness and transparency of all financial performance communications.

GE Capital's ratings are supported contractually by a GE commitment to maintain the ratio of earnings to fixed charges at a specified level as described below.

Before 2003, GE Capital maintained a capital structure that included about \$8 of debt for each \$1 of equity—a "leverage ratio" of 8:1. For purposes of measuring segment profit, each of our financial services businesses was also assigned debt and interest costs on the basis of that consolidated 8:1 leverage ratio. As of January 1, 2003, we extended a business-specific, market-based leverage to the performance measurement of each of our financial services businesses. As a result, at January 1, 2003, debt of \$12.5 billion previously allocated to other financial services segments was allocated to the Equipment & Other Services segment. We refer to this as "parent-supported debt." During 2004, a total of \$4.7 billion of such debt was eliminated, compared with \$4.6 billion in 2003. The 2004 reduction was the result of the following:

- 22% of operating earnings retained by GECS (\$1.8 billion),
- Proceeds from the Genworth initial public offering less dividend payments to GE (\$1.6 billion),
- Mortgage Insurance contingent note payment (\$0.5 billion),
- Sale of a majority interest of Gecis (\$0.5 billion), and
- Rationalization of Insurance and Equipment & Other Services related activities (\$0.3 billion).

The remaining \$3.2 billion of such debt is expected to be eliminated in 2005.

During 2004, GECS paid \$2.3 billion of special dividends to GE, of which \$1.3 billion was a portion of proceeds from the Genworth initial public offering, \$0.8 billion was surplus equity related to portfolio restructurings in Insurance and run-offs in Equipment & Other Services and \$0.2 billion was related to Insurance dispositions.

During 2004, GECS and GECS affiliates issued \$57 billion of senior, unsecured long-term debt, including \$3 billion issued by Genworth in connection with the initial public equity offering described on page 48. This debt was both fixed and floating rate and was issued to institutional and retail investors in the U.S. and 17 other global markets. Maturities for these issuances ranged from one to 40 years. We used the proceeds primarily for repayment of maturing long-term debt, but also to fund acquisitions and organic growth. We anticipate that we will issue between \$50 billion and \$60 billion of additional long-term debt during 2005, although the ultimate amount we issue will depend on our needs and on the markets.

Following is the composition of our debt obligations excluding any asset-backed debt obligations, such as debt of consolidated, liquidating securitization entities.

December 31	2004	2003
Senior notes and other long-term debt	58%	55%
Commercial paper	25	27
Current portion of long-term debt	11	13
Other—bank and other retail deposits	6	5
Total	100%	100%

We target a ratio for commercial paper of 25% to 35% of outstanding debt based on the anticipated composition of our assets and the liquidity profile of our debt. GE Capital is the most widely held name in global commercial paper markets.

We believe that alternative sources of liquidity are sufficient to permit an orderly transition from commercial paper in the unlikely event of impaired access to those markets. Funding sources on which we would rely would depend on the nature of such a hypothetical event, but include \$57.3 billion of contractually committed lending agreements with 83 highly-rated global banks and investment banks. Total credit lines extending beyond one year increased \$10.0 billion to \$56.8 billion at December 31, 2004. See note 18.

Beyond contractually committed lending agreements, other sources of liquidity include medium and long-term funding, monetization, asset securitization, cash receipts from our lending and leasing activities, short-term secured funding on global assets, and potential sales of other assets.

PRINCIPAL DEBT CONDITIONS are described below.

The following two conditions relate to GE and GECS:

- Under certain swap, forward and option contracts, if the long-term credit rating of either GE or GECS were to fall below A-/A3, certain remedies are required as discussed in note 28.
- If GE Capital's ratio of earnings to fixed charges, which was 1.87:1 at the end of 2004, were to deteriorate to 1.10:1 or, upon redemption of certain preferred stock, its ratio of debt to equity, which was 6.61:1 at the end of 2004, were to exceed 8:1, GE has committed to contribute capital to GE Capital. GE also has guaranteed subordinated debt of GECS with a face amount of \$1.0 billion at December 31, 2004 and 2003.

The following three conditions relate to securitization SPEs that were consolidated upon adoption of FIN 46 on July 1, 2003:

- If the short-term credit rating of GE Capital or certain consolidated SPEs discussed further in note 29 were to fall below A-1/P-1, GE Capital would be required to provide substitute liquidity for those entities or provide funds to retire the outstanding commercial paper. The maximum net amount that GE Capital would be required to provide in the event of such a downgrade is determined by contract, and amounted to \$12.8 billion at January 1, 2005. Amounts related to non-consolidated SPEs were \$1.4 billion.
- If the long-term credit rating of GE Capital were to fall below AA/Aa2, GE Capital would be required to provide substitute credit support or liquidate the consolidated SPEs. The maximum amount that GE Capital would be required to substitute in the event of such a downgrade is determined by contract, and amounted to \$0.9 billion at December 31, 2004.
- For certain transactions, if the long-term credit rating of GE Capital were to fall below A/A2 or BBB+/Baa1 or its short-term credit rating were to fall below A-2/P-2, GE Capital could be required to provide substitute credit support or fund the undrawn commitment. GE Capital could be required to provide up to \$2.3 billion in the event of such a downgrade based on terms in effect at December 31, 2004.

One group of consolidated SPEs, the Trinities and GE Funding CMS, hold assets that are reported in "Investment securities" and issue GICs that are reported in "Insurance liabilities, reserves and annuity benefits." If the long-term credit rating of GE Capital were to fall below AA-/Aa3 or its short-term credit rating were to fall below A-1+/P-1, GE Capital could be required to provide up to \$0.9 billion of capital to the Trinities. Further, GE Capital could be required to repay up to \$3.1 billion of GICs issued by GE Funding CMS.

In our history, we have never violated any of the above conditions either at GE or at GECS. We believe that under any reasonable future economic developments, the likelihood that any such arrangements could have a significant effect on our operations, cash flows or financial position is remote.

COMMERCIAL AVIATION is an industry in which we have a significant ongoing interest. Although some U.S. carriers have been operating under pressure, our interest in this industry is global, and demand in the global markets has been strong. September 11, 2001, was a significant test for this industry. But since that date, 119 carriers around the world have placed 709 of our aircraft into service, 415 of which were Boeing and Airbus narrow-body aircraft. We continue to be confident in the global industry's ongoing prospects.

At December 31, 2004, our global commercial aviation exposure in our Commercial Finance segment amounted to \$37.8 billion, principally loans and leases of \$33.0 billion. We had 1,342 commercial aircraft on lease, an increase of 106 aircraft from last year reflecting acquired leases and on-time delivery of open 2003 order positions. At the end of 2004 and 2003, an insignificant number of our aircraft were not on lease—2 and 3 aircraft, respectively. At December 31, 2004, we also had \$10.2 billion (list price) of multiple-year orders for various Boeing, Airbus and other aircraft, including 56 aircraft (\$4.3 billion) scheduled for delivery in 2005, all under agreement to commence operations with commercial airline customers.

Transportation sales of new equipment often include long-term customer financing commitments. Under these commitments, it is our policy to establish a secured position in the aircraft being financed. At December 31, 2004 and 2003, guarantees of \$0.4 billion were in place. Further, at December 31, 2004 and 2003, we had committed \$0.8 billion and \$1.2 billion, respectively, to provide financial assistance on future aircraft sales. See note 30. Our guarantees and commitments are secured by individual aircraft or pools of aircraft engines related to the specific financing arrangement. When particular guarantees exceed the value of the associated security, we consider credit risk of the associated customer and provide for estimated losses. At December 31, 2004, the total estimated fair value of aircraft securing these guarantees exceeded the guaranteed amounts, net of the associated allowance for losses. In addition, at December 31, 2004 and 2003, Transportation had other exposures of \$3.8 billion and \$3.6 billion, respectively, consisting primarily of deferred charges and trade receivables.

US Airways filed for bankruptcy protection in the third quarter of 2004. In January 2005, US Airways and the Air Transportation Stabilization Board (ATSB) reached an agreement extending the airline's use of cash proceeds from its federally guaranteed loan through June 30, 2005. US Airways' management has stated publicly that this agreement with the ATSB will allow US Airways to continue operations while it completes its restructuring and planned emergence from Chapter 11 in the summer of 2005. US Airways' management also has indicated in its public statements that labor savings will be an important factor affecting the success of that reorganization. At December 31, 2004, our aggregate exposure to US Airways was \$2.9 billion, the largest component of which was \$2.6 billion of loans and leases, substantially secured by various equipment, including 39 regional jet aircraft, 54 Boeing narrow-body aircraft (primarily 737 type), and 57 Airbus narrow-body aircraft. We and the airline have entered into a memorandum of understanding to restructure a number of loans and leases. We also agreed to continue regional jet financing conditioned on the airline successfully emerging from bankruptcy protection and achieving specified financial milestones. We have adjusted our estimates of cash flows and residual values to reflect the current information available to us in this fluid situation. In addition to our loans and leases, we hold \$0.2 billion of available-for-sale investment securities in US Airways that are secured by various other aircraft in the fleet. Our \$0.1 billion of US Airways Transportation exposure is either secured or we have made appropriate reserves for shortfalls. In addition to US Airways, both ATA Holdings Corp. and Aloha Airgroup, Inc. filed for bankruptcy during 2004. UAL Corp. filed for bankruptcy in 2002. At December 31, 2004, our exposure was \$1.4 billion to UAL Corp., \$0.8 billion to ATA Holdings Corp., and \$0.3 billion to Aloha Airgroup, Inc., consisting primarily of loans and leases. Various Boeing and Airbus aircraft secure substantially all of these financial exposures.

Commercial Finance regularly tests the recoverability of its commercial aircraft operating lease portfolio as described on page 69, and recognized impairment losses of \$0.1 billion and \$0.2 billion in 2004 and 2003, respectively. In addition to these impairment charges relating to operating leases, Commercial Finance recorded provisions for losses on financing receivables related to commercial aircraft of \$0.3 billion in 2004, primarily related to US Airways and ATA Holdings Corp.; an insignificant amount was recognized in 2003.

See pages 59–60 and notes 9 and 15 for further information on our commercial aviation positions.

Selected Financial Data

Information summarized on page 67 is divided into three sections: upper portion—consolidated data; middle portion—GE data that reflect various conventional measurements for such enterprises; and lower portion—GECS data that reflect key information pertinent to financial services businesses.

GE'S TOTAL RESEARCH AND DEVELOPMENT expenditures were \$3.1 billion in 2004, compared with \$2.7 billion and \$2.6 billion in 2003 and 2002, respectively. In 2004, expenditures from GE's own funds were \$2.4 billion compared with \$2.1 billion in 2003. Expenditures funded by customers (mainly the U.S. government) were \$0.6 billion in 2004 and 2003.

Expenditures reported above reflect the definition of research and development required by generally accepted accounting principles. For operating and management purposes, we consider amounts spent on product and services technology to include our reported research and development expenditures, but also amounts for improving our existing products and services, and the productivity of our plant, equipment and processes. On this basis, our technology expenditures were about \$5 billion.

In 2004, we directed our research and development efforts to technologies that will differentiate GE products and services in the eyes of our customers. Environmental impact is a key theme. Our researchers and engineers continue to search for novel solutions to challenging issues: meeting the world's rising energy demands while reducing greenhouse gases and emissions of power generation technologies; reducing emissions while raising fuel efficiency in air and rail transportation; and increasing energy efficiency of appliances and lighting, while meeting the need for performance and capabilities.

Emerging sciences such as nanotechnology are a significant area of our research. Nanotechnology has potential applications across the entire GE industrial portfolio. Our scientists view nanotechnology as the ultimate materials science, one that could change the materials and manufacturing processes for a wide variety of our products. We are exploring specific applications in nano-metals for jet engines, nano-ceramics as coatings for power turbines and nano-particles for use in targeted contrast agents for medical imaging.

Security was also a key area of technology research in 2004. Cargo and port security, intelligent video surveillance and chemical and biological detection are areas in which we are able to leverage core technologies among different businesses to bring innovative ideas to market.

In the Healthcare segment, we continue our quest for personalized healthcare, ramping up research in the biotechnology field. Combining our previous research with the work done by scientists at Amersham has opened new fields as we explore technologies that will enable a "predict and prevent" model for medical diagnostics.

Selected Financial Data

(In millions; per-share amounts in dollars)

	2004	2003	2002	2001	2000
GENERAL ELECTRIC COMPANY AND CONSOLIDATED AFFILIATES					
Revenues	\$152,363	\$134,187	\$132,210	\$126,416	\$130,385
Earnings before accounting changes	16,593	15,589	15,133	14,128	12,735
Cumulative effect of accounting changes	—	(587)	(1,015)	(444)	—
Net earnings	16,593	15,002	14,118	13,684	12,735
Dividends declared	8,594	7,759	7,266	6,555	5,647
Return on average shareowners' equity excluding the effect of accounting changes	17.4%	22.1%	25.8%	27.1%	27.5%
Per share					
Earnings before accounting changes—diluted	\$ 1.59	\$ 1.55	\$ 1.51	\$ 1.41	\$ 1.27
Cumulative effect of accounting changes—diluted	—	(0.06)	(0.10)	(0.04)	—
Earnings—diluted	1.59	1.49	1.41	1.37	1.27
Earnings before accounting changes—basic	1.60	1.56	1.52	1.42	1.29
Cumulative effect of accounting changes—basic	—	(0.06)	(0.10)	(0.04)	—
Earnings—basic	1.60	1.50	1.42	1.38	1.29
Dividends declared	0.82	0.77	0.73	0.66	0.57
Stock price range	37.75–28.88	32.42–21.30	41.84–21.40	52.90–28.25	60.50–41.67
Year-end closing stock price	36.50	30.98	24.35	40.08	47.94
Total assets	750,330	647,483	575,244	495,023	437,006
Long-term borrowings	213,161	172,314	140,632	79,806	82,132
Shares outstanding—average (in thousands)	10,399,629	10,018,587	9,947,113	9,932,245	9,897,110
Shareowner accounts—average	658,000	670,000	655,000	625,000	597,000
GE DATA					
Short-term borrowings	\$ 3,409	\$ 2,555	\$ 8,786	\$ 1,722	\$ 940
Long-term borrowings	7,625	8,388	970	787	841
Minority interest	7,701	1,079	1,028	948	968
Shareowners' equity	110,284	79,180	63,706	54,824	50,492
Total capital invested	\$129,019	\$ 91,202	\$ 74,490	\$ 58,281	\$ 53,241
Return on average total capital invested excluding effect of accounting changes	15.9%	19.9%	24.5%	27.0%	27.4%
Borrowings as a percentage of total capital invested	9.1%	12.0%	13.1%	4.3%	3.3%
Working capital ^(a)	\$ 8,328	\$ 5,282	\$ 3,821	\$ (2,398)	\$ 799
Additions to property, plant and equipment	2,427	2,158	2,386	2,876	2,536
Employees at year end					
United States	129,000	122,000	125,000	125,000	131,000
Other countries	98,000	96,000	94,000	94,000	92,000
Total employees	227,000	218,000	219,000	219,000	223,000
GECS DATA					
Revenues	\$ 70,776	\$ 64,279	\$ 58,699	\$ 58,856	\$ 66,709
Earnings before accounting changes	8,161	7,754	4,626	5,586	5,192
Cumulative effect of accounting changes	—	(339)	(1,015)	(169)	—
Net earnings	8,161	7,415	3,611	5,417	5,192
Shareowner's equity	53,755	45,308	36,929	28,590	23,022
Minority interest	8,682	5,115	4,445	4,267	3,968
Total borrowings	361,342	320,318	270,962	239,935	205,371
Ratio of debt to equity at GE Capital	6.61:1	6.74:1	6.58:1	7.31:1	7.53:1
Total assets	\$618,327	\$554,688	\$489,828	\$425,484	\$370,636
Insurance premiums written	15,250	18,602	16,999	15,843	16,461
Employees at year end					
United States	36,000	33,000	36,000	33,000	37,000
Other countries	44,000	54,000	60,000	58,000	53,000
Total employees	80,000	87,000	96,000	91,000	90,000

Transactions between GE and GECS have been eliminated from the consolidated information.

(a) Working capital is defined as the sum of receivables from the sales of goods and services, plus inventories, less trade accounts payable and progress collections.

GE'S TOTAL BACKLOG of firm unfilled orders at the end of 2004 was \$34.1 billion, an increase of 9% from year-end 2003, reflecting increased demand for wind turbines, locomotives and product services, partially offset by softening demand for large gas turbines. Of the total backlog, \$22.7 billion related to products, of which 72% was scheduled for delivery in 2005. Product services orders, included in this reported backlog for only the succeeding 12 months, were \$11.4 billion at the end of 2004. Orders constituting this backlog may be canceled or deferred by customers, subject in certain cases to penalties. See Segment Operations beginning on page 52 for further information.

Critical Accounting Estimates

Accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties. For all of these estimates, we caution that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment. Also see note 1, Summary of Significant Accounting Policies, which discusses accounting policies that we have selected from acceptable alternatives.

LOSSES ON FINANCING RECEIVABLES are recognized when they are incurred, which requires us to make our best estimate of probable losses inherent in the portfolio. Such estimate requires consideration of historical loss experience, adjusted for current conditions, and judgments about the probable effects of relevant observable data, including present economic conditions such as delinquency rates, financial health of specific customers and market sectors, collateral values, and the present and expected future levels of interest rates. Our risk management process, which includes standards and policies for reviewing major risk exposures and concentrations, ensures that relevant data are identified and considered either for individual loans or leases, or on a portfolio basis, as appropriate.

Our lending and leasing experience and the extensive data we accumulate and analyze facilitate estimates that have been reliable over time. Our actual loss experience was in line with expectations for 2004 (adjusting for the effects of Consumer Finance's standardization of its write-off policy), 2003 and 2002. While losses depend to a large degree on future economic conditions, we do not anticipate significant adverse credit development in 2005. Further information is provided in the financing receivables section on page 60, and in notes 1, 12 and 13.

REVENUE RECOGNITION ON LONG-TERM AGREEMENTS to provide product services (product services agreements) requires estimates of profits over the multiple-year terms of such agreements, considering factors such as the frequency and extent of future monitoring, maintenance and overhaul events; the amount of personnel, spare parts and other resources required to perform the services; and future billing rate and cost changes. We routinely review estimates under product services agreements and regularly revise them to adjust for changes in outlook. Revisions that affect a product services agreement's total estimated profitability will also result in an immediate adjustment of earnings. We provide for probable losses. We also regularly assess customer credit risk inherent in the carrying amounts of contract costs and estimated earnings. We gain insight into future utilization and cost trends, as well as credit risk, through our knowledge of the installed base of equipment and the close interaction with our customers that comes with supplying critical services and parts over extended periods. Carrying amounts for product services agreements in progress at December 31, 2004 and 2003, were \$3.7 billion and \$3.2 billion, respectively, and are included in the line, "Contract costs and estimated earnings" in note 17. Adjustments to earnings resulting from revisions to estimates on product services agreements have been insignificant for each of the years in the three-year period ended December 31, 2004.

Further information is provided in note 1.

ASSET IMPAIRMENT assessment involves various estimates and assumptions as follows:

INVESTMENTS. We regularly review investment securities for impairment based on criteria that include the extent to which cost exceeds market value, the duration of that market decline, our intent and ability to hold to recovery and the financial health and specific prospects for the issuer. We perform comprehensive market research and analysis and monitor market conditions to identify potential impairments. Further information about actual and potential impairment losses is provided on page 60 and in notes 1 and 9.

LONG-LIVED ASSETS. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We use internal discounted cash flow estimates, quoted market prices when available and independent appraisals as appropriate to determine fair value. We derive the required cash flow estimates from our historical experience and our internal business plans and apply an appropriate discount rate.

Commercial aircraft are a significant concentration of assets in our Commercial Finance business, and are particularly subject to market fluctuations. Therefore, we test recoverability of each aircraft in our operating lease portfolio at least annually. Additionally, we perform quarterly evaluations in circumstances such as when aircraft are re-leased, current lease terms have changed or a specific lessee's credit standing changes. Future rentals and residual values are based on historical experience and information received routinely from independent appraisers. Estimated cash flows from future leases are reduced for expected downtime between leases and for estimated technical costs required to prepare aircraft to be redeployed. Fair value used to measure impairment is based on current market values from independent appraisers. Further information on impairment losses and our overall exposure to the commercial aviation industry is provided on pages 65–66 and in notes 9 and 15.

GOODWILL AND OTHER IDENTIFIED INTANGIBLE ASSETS. We test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose of a reporting unit. Determining whether an impairment has occurred requires valuation of the respective reporting unit, which we estimate using a discounted cash flow method. When available and as appropriate, we use comparative market multiples to corroborate discounted cash flow results. In applying this methodology, we rely on a number of factors, including actual operating results, future business plans, economic projections and market data.

If this analysis indicates goodwill is impaired, measuring the impairment requires a fair value estimate of each identified tangible and intangible asset. In this case we supplement the cash flow approach discussed above with independent appraisals, as appropriate.

We test other identified intangible assets with defined useful lives and subject to amortization by comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. We test intangible assets with indefinite lives annually for impairment using a fair value method such as discounted cash flows.

Further information is provided on page 61 and in notes 1 and 16.

INSURANCE LIABILITIES AND RESERVES differ for short- and long-duration insurance contracts. Short-duration contracts such as property and casualty policies are accounted for based on actuarial estimates of losses inherent in that period's claims, including losses for which claims have not yet been reported. Short-duration contract loss estimates rely on actuarial observations of ultimate loss experience for similar historical events. Measurement of long-duration insurance liabilities (such as guaranteed renewable term, whole life and long-term care insurance policies) also is based on approved actuarial methods that include assumptions about expenses, mortality, morbidity, lapse rates and future yield on related investments. Historical insurance industry experience indicates that a greater degree of inherent variability exists in assessing the ultimate amount of losses under short-duration property and casualty contracts than exists for long-duration mortality exposures. This inherent variability is particularly significant for liability-related exposures, including latent claims issues (such as asbestos and environmental related coverage disputes), because of the extended period of time—often many years—that transpires between when a given claim event occurs and the ultimate full settlement of such claim. This situation is then further exacerbated for reinsurance entities (as opposed to primary insurers) because of coverage often being provided on an "excess-of-loss" basis and the resulting lags in receiving current claims data.

We continually evaluate the potential for changes in loss estimates with the support of qualified reserving actuaries and use the results of these evaluations both to adjust recorded reserves and to proactively modify underwriting criteria and product offerings. For actuarial analysis purposes, reported and paid claims activity is segregated into several hundred reserving segments, each having differing historical settlement trends. A variety of actuarial methods are then applied to the underlying data for each of these reserving segments in arriving at an estimated range of "reasonably possible" loss scenarios. Factors such as line of business, length of historical settlement pattern, recent changes in underwriting standards and unusual trends in reported claims activity will generally affect which actuarial methods are given more weight for purposes of determining the "best estimate" of ultimate losses in a particular reserving segment. As discussed on pages 56 and 57 and in note 19, in recent years, reported claims activity at GE Insurance Solutions related to prior-year loss events, particularly for liability-related exposures underwritten in 1997 through 2001, have continued to develop adversely to previous expectations. This trend was considered in the actuarial reserve study completed in the fourth quarter of 2002, resulting in a significant increase in recorded reserves. In 2003, we continued to monitor our reported claims activity compared with our revised expected loss levels. While for the majority of our lines of business, reported claims activity in 2003 was reasonably close to expected amounts, for certain lines the reported claims volumes exceeded our revised loss expectations. In response to these new data, we further increased our loss reserves in 2003. In 2004, as part of our comprehensive annual assessment of recorded claim-related liabilities, we observed that reported claims activity in certain product lines, substantially related to the 1997 through 2001 underwriting years, continued to exceed previous established expectations and we again increased our loss reserves.

PENSION ASSUMPTIONS are significant inputs to actuarial models that measure pension benefit obligations and related effects on operations. Two critical assumptions—discount rate and expected return on assets—are important elements of plan expense and asset/liability measurement. We evaluate these critical assumptions at least annually on a plan and country-specific basis. Other assumptions involving demographic factors such as retirement age, mortality and turnover are evaluated periodically and are updated to reflect our experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors.

The discount rate enables us to state expected future cash flows at a present value on the measurement date. This rate is the yield on high-quality fixed income investments at the measurement date. A lower discount rate increases the present value of benefit obligations and increases pension expense.

To determine the expected long-term rate of return on pension plan assets, we consider the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. As of December 31, 2004, one-year returns on assets in our principal pension plans were 11.7%; five-year returns were 3.2%; 10-year returns were 11.4% and 25-year returns were 12.2%. We believe these results, in connection with our current and expected asset allocations, support our assumed long-term return of 8.5% on those assets.

To reflect market interest rate conditions, we reduced our discount rate for principal pension plans at December 31, 2004, from 6.0% to 5.75% and at December 31, 2003, from 6.75% to 6.0%. We assumed that long-term returns on the assets of our principal pension plans were 8.5% in 2004, the same as our assumptions for 2003 and 2002.

Sensitivity to changes in key assumptions for our principal pension plans follows:

- Discount rate—A 25 basis point reduction in discount rate would increase pension expense in 2005 by \$0.1 billion.
- Expected return on assets—A 50 basis point increase in the expected return on assets would decrease pension expense in 2005 by \$0.3 billion.

Further information on our postretirement benefit plans is provided on page 50 and in notes 5 and 6.

OTHER LOSS CONTINGENCIES are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Disclosure is required when there is a reasonable possibility that the ultimate loss will exceed the recorded provision. Contingent liabilities are often resolved over long time periods. Estimating probable losses requires analysis of multiple forecasts that often depend on judgments about potential actions by third parties such as regulators. Further information is provided in notes 20 and 30.

Other Information

New Accounting Standard

In December 2004, the FASB issued Statement of Financial Accounting Standards (SFAS) 123 (revised 2004), *Share-Based Payment* (SFAS 123R). Among other things, SFAS 123R requires expensing the fair value of stock options, previously optional accounting that we adopted in 2002. For transition, upon adoption on July 1, 2005, SFAS 123R will require us to expense the unvested portion of options granted in 2000 and 2001, reducing net earnings by approximately \$30 million in 2005 and by a similar amount in 2006. SFAS 123R also will require us to change the classification of certain tax benefits from options deductions to financing rather than operating cash flows. While the effects of these future tax deductions will depend on several variables, had SFAS 123R been in effect, approximately \$0.3 billion would have been required to be classified as cash from financing, not operating, activities in 2004; the related 2003 amount would have been approximately \$0.2 billion.

Financial Measures that Supplement Generally Accepted Accounting Principles

We sometimes use information derived from consolidated financial information but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under SEC rules. Specifically, we have referred, in various sections of this Annual Report, to:

- Organic revenue growth in 2004,
- Earnings growth, excluding Insurance dispositions, in 2004,
- Growth in Industrial CFOA in 2004,
- GE earnings before income taxes and accounting changes excluding GECS earnings, and the corresponding effective tax rate, for the three years ended December 31, 2004,
- Net revenues (revenues from services less interest) of the Commercial Finance and Consumer Finance segments for the three years ended December 31, 2004, and
- Delinquency rates on financing receivables of the Commercial Finance and Consumer Finance segments for 2004, 2003 and 2002.

The reasons we use these non-GAAP financial measures and their reconciliation to their most directly comparable GAAP financial measures follow.

ORGANIC REVENUE GROWTH

(In millions)	2004	2003	% change
Revenues as reported	\$152,363	\$134,187	
Less:			
Effects of acquisitions, dispositions and currency exchange rates	19,244	1,289	
Insurance	23,070	26,194	
Energy	17,348	19,082	
Revenues excluding the effects of acquisitions, dispositions and currency exchange rates, Insurance and Energy (organic revenues)	\$ 92,701	\$ 87,622	6%

EARNINGS GROWTH, EXCLUDING INSURANCE DISPOSITIONS

(In millions)	2004	2003	% change
Earnings before accounting changes as reported	\$16,593	\$15,589	
Less effect of Insurance dispositions	(721)	728	
Earnings, excluding Insurance dispositions	\$17,314	\$14,861	17%

GROWTH IN INDUSTRIAL CFOA

(In millions)	2004	2003	% change
Cash from GE's operating activities as reported	\$15,204	\$12,975	
Less GECS dividends	3,105	3,435	
Cash from GE's operating activities excluding dividends from GECS (Industrial CFOA)	\$12,099	\$ 9,540	27%

GE TAX RATE, EXCLUDING GECS EARNINGS

(In millions)	2004	2003	2002
GE earnings before income taxes and accounting changes	\$18,566	\$18,446	\$18,970
Less GECS earnings	8,161	7,754	4,626
Total	\$10,405	\$10,692	\$14,344
Provision for income taxes	\$ 1,973	\$ 2,857	\$ 3,837
Effective tax rate	19.0%	26.7%	26.7%

We believe that meaningful analysis of our financial performance requires an understanding of the factors underlying that performance and our judgments about the likelihood that particular factors will repeat. In some cases, short-term patterns and long-term trends may be obscured by large factors or events. For example, events or trends in a particular segment may be so significant as to obscure patterns and trends of our industrial or financial services businesses in total. For this reason, we believe that investors may find it useful to see our 2004 revenue growth without the effect of acquisitions, dispositions and currency exchange rates, and without the effects of two businesses, Insurance and Energy, whose revenues were adversely affected by their changing economic environments and other factors; and 2004 earnings without the effect of Insurance dispositions. Similarly, we believe that investors would find it useful to compare our 2004 operating cash flow against our 2003 operating cash flow without the impact of GECS dividends.

NET REVENUES

We provided reconciliations of net revenues to reported revenues for these segments on page 54. Because net revenues is a common industry measure of margin, these disclosures enable investors to compare the results of our financial services businesses with results of others in the same industry.

DELINQUENCY RATES ON FINANCING RECEIVABLES

Delinquency rates on financing receivables follow.

COMMERCIAL FINANCE

December 31	2004	2003	2002
Managed	1.40%	1.38%	1.75%
Off-book	0.90	1.27	0.09
On-book	1.58	1.41	2.16

CONSUMER FINANCE

December 31	2004	2003	2002
Managed	4.85%	5.62%	5.62%
Off-book	5.09	5.04	4.84
On-book	4.84	5.67	5.76

We believe that delinquency rates on managed financing receivables provide a useful perspective of our portfolio quality and are key indicators of financial performance. Further, investors use such information, including the results of both the on-book and securitized portfolios, which are relevant to our overall performance.

Statement of Earnings

	General Electric Company and consolidated affiliates		
	2004	2003	2002
For the years ended December 31 (In millions; per-share amounts in dollars)			
REVENUES			
Sales of goods	\$ 55,005	\$ 49,963	\$ 55,096
Sales of services	29,700	22,391	21,138
Other income (note 2)	1,064	602	1,013
Earnings of GECS before accounting changes	—	—	—
GECS revenues from services (note 3)	66,594	61,231	54,963
Total revenues	152,363	134,187	132,210
COSTS AND EXPENSES (note 4)			
Cost of goods sold	42,645	37,189	38,833
Cost of services sold	19,114	14,017	14,023
Interest and other financial charges	11,907	10,825	10,216
Insurance losses and policyholder and annuity benefits	15,627	16,369	17,608
Provision for losses on financing receivables (note 13)	3,888	3,752	3,084
Other costs and expenses	38,148	31,821	29,229
Minority interest in net earnings of consolidated affiliates	928	310	326
Total costs and expenses	132,257	114,283	113,319
EARNINGS BEFORE INCOME TAXES AND ACCOUNTING CHANGES	20,106	19,904	18,891
Provision for income taxes (note 7)	(3,513)	(4,315)	(3,758)
EARNINGS BEFORE ACCOUNTING CHANGES	16,593	15,589	15,133
Cumulative effect of accounting changes (note 1)	—	(587)	(1,015)
NET EARNINGS	\$ 16,593	\$ 15,002	\$ 14,118
Per-share amounts (note 8)			
Per-share amounts before accounting changes			
Diluted earnings per share	\$ 1.59	\$ 1.55	\$ 1.51
Basic earnings per share	1.60	1.56	1.52
Per-share amounts after accounting changes			
Diluted earnings per share	1.59	1.49	1.41
Basic earnings per share	1.60	1.50	1.42
DIVIDENDS DECLARED PER SHARE	\$ 0.82	\$ 0.77	\$ 0.73

Consolidated Statement of Changes in Shareowners' Equity

(In millions)	2004	2003	2002
CHANGES IN SHAREOWNERS' EQUITY (note 24)			
Balance at January 1	\$ 79,180	\$ 63,706	\$ 54,824
Dividends and other transactions with shareowners	10,009	(5,520)	(6,382)
Changes other than transactions with shareowners			
Increase attributable to net earnings	16,593	15,002	14,118
Investment securities—net	412	710	1,378
Currency translation adjustments—net	3,942	5,123	1,000
Cash flow hedges—net	569	320	(1,157)
Minimum pension liabilities—net	(421)	(161)	(75)
Total changes other than transactions with shareowners	21,095	20,994	15,264
Balance at December 31	\$110,284	\$ 79,180	\$ 63,706

The notes to consolidated financial statements on pages 78–111 are an integral part of these statements.

GE			GECS		
2004	2003	2002	2004	2003	2002
\$52,260	\$47,767	\$51,957	\$ 2,840	\$ 2,228	\$ 3,296
29,954	22,675	21,360	—	—	—
1,076	645	1,106	—	—	—
8,161	7,754	4,626	—	—	—
—	—	—	67,936	62,051	55,403
91,451	78,841	79,049	70,776	64,279	58,699
39,999	35,102	35,951	2,741	2,119	3,039
19,368	14,301	14,245	—	—	—
979	941	569	11,372	10,262	9,935
—	—	—	15,844	16,369	17,608
—	—	—	3,888	3,752	3,084
12,001	9,870	9,131	26,840	22,436	20,343
538	181	183	390	129	143
72,885	60,395	60,079	61,075	55,067	54,152
18,566	18,446	18,970	9,701	9,212	4,547
(1,973)	(2,857)	(3,837)	(1,540)	(1,458)	79
16,593	15,589	15,133	8,161	7,754	4,626
—	(587)	(1,015)	—	(339)	(1,015)
\$16,593	\$15,002	\$14,118	\$ 8,161	\$ 7,415	\$ 3,611

In the consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns on page 72.

Statement of Financial Position

At December 31 (In millions)	General Electric Company and consolidated affiliates	
	2004	2003
ASSETS		
Cash and equivalents	\$ 15,328	\$ 12,664
Investment securities (note 9)	135,536	129,269
Current receivables (note 10)	14,233	10,732
Inventories (note 11)	9,778	8,752
Financing receivables—net (notes 12 and 13)	282,467	247,906
Insurance receivables—net (note 14)	25,709	27,541
Other GECS receivables	10,771	9,747
Property, plant and equipment—net (note 15)	63,334	53,388
Investment in GECS	—	—
Intangible assets—net (note 16)	83,240	55,025
All other assets (note 17)	109,934	92,621
Total assets	\$750,330	\$647,645
LIABILITIES AND EQUITY		
Short-term borrowings (note 18)	\$157,746	\$157,397
Accounts payable, principally trade accounts	24,729	19,950
Progress collections and price adjustments accrued	3,937	4,433
Dividends payable	2,329	2,013
All other current costs and expenses accrued	17,539	15,343
Long-term borrowings (note 18)	213,161	172,314
Insurance liabilities, reserves and annuity benefits (note 19)	140,585	136,428
All other liabilities (note 20)	49,223	41,746
Deferred income taxes (note 21)	14,414	12,647
Total liabilities	623,663	562,271
Minority interest in equity of consolidated affiliates (note 22)	16,383	6,194
Common stock (10,586,358,000 and 10,063,120,000 shares outstanding at year-end 2004 and 2003, respectively)	669	669
Accumulated gains (losses)—net		
Investment securities	2,268	1,856
Currency translation adjustments	6,929	2,987
Cash flow hedges	(1,223)	(1,792)
Minimum pension liabilities	(657)	(236)
Other capital	24,265	17,497
Retained earnings	90,795	82,796
Less common stock held in treasury	(12,762)	(24,597)
Total shareowners' equity (notes 24 and 25)	110,284	79,180
Total liabilities and equity	\$750,330	\$647,645

The sum of accumulated gains (losses) on investment securities, currency translation adjustments, cash flow hedges and minimum pension liabilities constitutes "Accumulated nonowner changes other than earnings," as shown in note 24, and was \$7,317 million and \$2,815 million at year-end 2004 and 2003, respectively.

The notes to consolidated financial statements on pages 78–111 are an integral part of this statement.

GE		GECS	
2004	2003	2004	2003
\$ 3,155	\$ 1,670	\$ 12,367	\$ 11,273
413	380	135,152	128,889
14,533	10,973	—	—
9,589	8,555	189	197
—	—	282,467	247,906
—	—	25,971	27,541
—	—	14,134	12,103
16,756	14,566	46,578	38,822
53,755	45,308	—	—
54,720	30,204	28,520	24,821
38,123	30,448	72,949	63,136
\$191,044	\$142,104	\$618,327	\$554,688
\$ 3,409	\$ 2,555	\$154,843	\$155,468
11,013	8,753	17,104	13,566
3,937	4,433	—	—
2,329	2,013	—	—
17,569	15,343	—	—
7,625	8,388	206,499	164,850
—	—	140,902	136,428
23,561	18,449	25,744	23,217
3,616	1,911	10,798	10,736
73,059	61,845	555,890	504,265
7,701	1,079	8,682	5,115
669	669	1	1
2,268	1,856	2,345	1,864
6,929	2,987	5,183	2,639
(1,223)	(1,792)	(1,354)	(1,727)
(657)	(236)	(150)	(41)
24,265	17,497	12,370	12,268
90,795	82,796	35,360	30,304
(12,762)	(24,597)	—	—
110,284	79,180	53,755	45,308
\$191,044	\$142,104	\$618,327	\$554,688

In the consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns on page 74.

Statement of Cash Flows

	General Electric Company and consolidated affiliates		
	2004	2003	2002
For the years ended December 31 (In millions)			
CASH FLOWS—OPERATING ACTIVITIES			
Net earnings	\$ 16,593	\$ 15,002	\$ 14,118
Adjustments to reconcile net earnings to cash provided from operating activities			
Cumulative effect of accounting changes	—	587	1,015
Depreciation and amortization of property, plant and equipment	8,385	6,956	6,511
Earnings (before accounting changes) retained by GECS	—	—	—
Deferred income taxes	(1,702)	1,127	2,414
Decrease (increase) in GE current receivables	(849)	534	(409)
Decrease (increase) in inventories	(468)	874	(87)
Increase (decrease) in accounts payable	5,370	802	227
Decrease in GE progress collections	(464)	(2,268)	(5,062)
Increase in insurance liabilities and reserves	4,961	1,679	9,454
Provision for losses on financing receivables	3,888	3,752	3,084
All other operating activities	770	184	(2,499)
CASH FROM OPERATING ACTIVITIES	36,484	29,229	28,766
CASH FLOWS—INVESTING ACTIVITIES			
Additions to property, plant and equipment	(13,118)	(9,779)	(14,056)
Dispositions of property, plant and equipment	5,845	4,952	6,357
Net increase in GECS financing receivables	(15,280)	(4,687)	(18,082)
Payments for principal businesses purchased	(18,703)	(14,407)	(21,570)
Investment in GECS	—	—	—
All other investing activities	2,842	2,078	(13,876)
CASH USED FOR INVESTING ACTIVITIES	(38,414)	(21,843)	(61,227)
CASH FLOWS—FINANCING ACTIVITIES			
Net increase (decrease) in borrowings (maturities of 90 days or less)	(2,729)	(20,544)	(17,347)
Newly issued debt (maturities longer than 90 days)	61,659	67,545	95,008
Repayments and other reductions (maturities longer than 90 days)	(47,106)	(43,479)	(40,454)
Net dispositions (purchases) of GE shares for treasury	3,993	726	(985)
Dividends paid to shareowners	(8,278)	(7,643)	(7,157)
All other financing activities	(2,945)	(237)	3,873
CASH FROM (USED FOR) FINANCING ACTIVITIES	4,594	(3,632)	32,938
INCREASE (DECREASE) IN CASH AND EQUIVALENTS DURING YEAR	2,664	3,754	477
Cash and equivalents at beginning of year	12,664	8,910	8,433
Cash and equivalents at end of year	\$ 15,328	\$ 12,664	\$ 8,910
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION			
Cash paid during the year for interest	\$ (11,907)	\$ (10,910)	\$ (9,654)
Cash recovered (paid) during the year for income taxes	(1,339)	(1,539)	(948)

The notes to consolidated financial statements on pages 78–111 are an integral part of this statement.

	GE			GECS		
	2004	2003	2002	2004	2003	2002
CASH FLOWS—OPERATING ACTIVITIES						
Net earnings	\$ 16,593	\$ 15,002	\$ 14,118	\$ 8,161	\$ 7,415	\$ 3,611
Adjustments to reconcile net earnings to cash provided from operating activities						
Cumulative effect of accounting changes	—	587	1,015	—	339	1,015
Depreciation and amortization of property, plant and equipment	2,533	2,277	2,199	5,852	4,679	4,312
Earnings (before accounting changes) retained by GECS	(5,056)	(4,319)	(2,661)	—	—	—
Deferred income taxes	(175)	389	1,005	(1,527)	738	1,409
Decrease (increase) in GE current receivables	(908)	585	(486)	—	—	—
Decrease (increase) in inventories	(459)	909	(149)	(9)	(35)	62
Increase (decrease) in accounts payable	1,888	676	708	4,207	666	(880)
Decrease in GE progress collections	(464)	(2,268)	(5,062)	—	—	—
Increase in insurance liabilities and reserves	—	—	—	4,961	1,679	9,454
Provision for losses on financing receivables	—	—	—	3,888	3,752	3,084
All other operating activities	1,252	(913)	(590)	594	2,215	(556)
CASH FROM OPERATING ACTIVITIES	15,204	12,925	10,097	26,127	21,448	21,511
CASH FLOWS—INVESTING ACTIVITIES						
Additions to property, plant and equipment	(2,427)	(2,158)	(2,386)	(10,691)	(7,621)	(11,670)
Dispositions of property, plant and equipment	—	—	—	5,845	4,952	6,357
Net increase in GECS financing receivables	—	—	—	(15,280)	(4,687)	(18,082)
Payments for principal businesses purchased	(4,815)	(3,870)	(8,952)	(13,888)	(10,537)	(12,618)
Investment in GECS	—	—	(6,300)	—	—	—
All other investing activities	632	236	203	443	207	(15,234)
CASH USED FOR INVESTING ACTIVITIES	(6,610)	(5,792)	(17,435)	(33,571)	(17,686)	(51,247)
CASH FLOWS—FINANCING ACTIVITIES						
Net increase (decrease) in borrowings (maturities of 90 days or less)	(1,690)	(6,704)	7,924	(1,138)	(13,472)	(34,687)
Newly issued debt (maturities longer than 90 days)	434	7,356	66	61,264	59,939	96,044
Repayments and other reductions (maturities longer than 90 days)	(1,568)	(277)	(1,229)	(45,538)	(43,202)	(39,225)
Net dispositions (purchases) of GE shares for treasury	3,993	726	(985)	—	—	—
Dividends paid to shareowners	(8,278)	(7,643)	(7,157)	(3,105)	(3,435)	(1,965)
All other financing activities	—	—	—	(2,945)	(237)	10,173
CASH FROM (USED FOR) FINANCING ACTIVITIES	(7,109)	(6,542)	(1,381)	8,538	(407)	30,340
INCREASE (DECREASE) IN CASH AND EQUIVALENTS DURING YEAR	1,485	591	(8,719)	1,094	3,355	604
Cash and equivalents at beginning of year	1,670	1,079	9,798	11,273	7,918	7,314
Cash and equivalents at end of year	\$ 3,155	\$ 1,670	\$ 1,079	\$ 12,367	\$ 11,273	\$ 7,918
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION						
Cash paid during the year for interest	\$ (603)	\$ (248)	\$ (155)	\$ (11,304)	\$ (10,662)	\$ (9,499)
Cash recovered (paid) during the year for income taxes	(2,261)	(2,685)	(2,331)	922	1,146	1,383

In the consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns on page 76.

Note 1**Summary of Significant Accounting Policies****Accounting principles**

Our financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP).

Consolidation

Our financial statements consolidate all of our affiliates—companies that we control and in which we hold a majority voting interest. Associated companies are companies that we do not control but over which we have significant influence, most often because we hold a shareholder voting position of 20% to 50%. Results of associated companies are presented on a one-line basis.

In 2004 and 2003, as we describe on page 81, we consolidated certain non-affiliates, including certain special purpose entities (SPEs) and investments previously considered associated companies, because of new accounting requirements that became effective in each of those years.

Financial statement presentation

We have reclassified certain prior-year amounts to conform to the current year's presentation.

Financial data and related measurements are presented in the following categories:

- **GE** This represents the adding together of all affiliates other than General Electric Capital Services, Inc. (GECS), whose operations are presented on a one-line basis.
- **GECS** This affiliate owns all of the common stock of General Electric Capital Corporation (GE Capital) and GE Insurance Solutions Corporation (GE Insurance Solutions), the parent of Employers Reinsurance Corporation (ERC). GE Capital, GE Insurance Solutions and their respective affiliates are consolidated in the GECS columns and constitute its business.
- **CONSOLIDATED** This represents the adding together of GE and GECS.

Effects of transactions between related companies are eliminated. Transactions between GE and GECS are immaterial and consist primarily of GECS services for material procurement and trade receivables management, medical equipment manufactured by GE that is leased by GECS to others, aircraft engines manufactured by GE that are installed on aircraft purchased by GECS from third-party producers for operating lease to others, buildings and equipment leased by GE from GECS, and GE investments in GECS commercial paper.

Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Sales of goods and services

We record sales of goods when a firm sales agreement is in place, delivery has occurred and collectibility of the fixed or determinable sales price is reasonably assured. If customer acceptance of products is not assured, sales are recorded only upon formal customer acceptance.

Sales of goods in the Consumer & Industrial, Advanced Materials and Infrastructure businesses typically do not include multiple product and/or service elements, in contrast with sales in certain of the businesses referred to below. Consumer lighting products, home videos and computer hardware and software products are often sold with a right of return. Accumulated experience is used to estimate and provide for such returns when we record the sale.

Sales of goods in the Transportation, Healthcare, Energy and certain Infrastructure businesses sometimes include multiple components and sometimes include services such as installation. In such contracts, amounts assigned to each component are based on that component's objectively determined fair value, such as the sales price for the component when it is sold separately or competitor prices for similar components. Sales are recognized individually for delivered components only if they have value to the customer on a standalone basis, and the undelivered components have objectively determined fair values and are not essential to the functionality of the delivered components. When undelivered components are inconsequential or perfunctory and not essential to the functionality of the delivered components (like certain training commitments), we recognize sales on the total contract and make provision for the cost of the incomplete components.

We record sales of product services, certain power generation equipment and certain military aircraft engines in accordance with contracts. For long-term product services agreements, we use estimated contract profit rates to record sales as work is performed. For certain power generation equipment and certain military aircraft engines, we use estimated contract profit rates to record sales as major components are completed and delivered to customers. Estimates are subject to revisions; revisions that affect an agreement's total estimated profitability result in an immediate adjustment of earnings. We provide for any loss when that loss is probable. We expense costs to acquire or originate sales agreements as incurred.

We record broadcast and cable television advertising sales when advertisements are aired, net of provision for any viewer shortfalls (make goods). We record sales from theatrical distribution of films as the films are exhibited; sales of home videos, net of a return provision, when the videos are shipped and available for sale by retailers; fees from cable and satellite operators when services are provided, and licensing of film and television programming when we make the material available for airing.

GECS revenues from services (earned income)

We use the interest method to recognize income on all loans. Interest on time sales and loans includes origination, commitment and other non-refundable fees related to funding (recorded in earned income on the interest method). We stop accruing interest at the earlier of the time at which collection of an account becomes doubtful or the account becomes 90 days past due. We recognize interest income on nonearning loans either as cash is collected or on a cost-recovery basis as conditions warrant. We resume accruing interest on nonearning, non-restructured Commercial Finance loans only when (a) payments are brought current according to the loan's original terms and (b) future payments are reasonably assured. When we agree to restructured terms with the borrower, we resume accruing interest only when reasonably assured that we will recover full contractual payments,

and such loans pass underwriting reviews equivalent to those applied to new loans. We resume accruing interest on nonearning Consumer Finance loans upon receipt of the third consecutive minimum monthly payment or the equivalent. Specific limits for each type of loan restrict the number of times any particular delinquent loan may be categorized as non-delinquent and interest accrual resumed.

We record financing lease income on the interest method to produce a level yield on funds not yet recovered. Estimated unguaranteed residual values of leased assets are based primarily on periodic independent appraisals of the values of leased assets remaining at expiration of the lease terms. Significant assumptions we use in estimating residual values include estimated net cash flows over the remaining lease term, results of future remarketing, and future component part and scrap metal prices, discounted at an appropriate rate.

We recognize operating lease income on a straight-line basis over the terms of underlying leases.

Fees include commitment fees related to loans that we do not expect to fund and line-of-credit fees. We record these fees in earned income on a straight-line basis over the period to which they relate. We record syndication fees in earned income at the time related services are performed unless significant contingencies exist.

See page 80 for a discussion of income from investment and insurance activities.

Depreciation and amortization

The cost of GE manufacturing plant and equipment is depreciated over its estimated economic life. U.S. assets are depreciated using an accelerated method based on a sum-of-the-years digits formula; non-U.S. assets are depreciated on a straight-line basis.

The cost of GECS equipment leased to others on operating leases is amortized on a straight-line basis to estimated residual value over the lease term or over the estimated economic life of the equipment. See note 15.

Film and television costs

We defer film and television production costs, including direct costs, production overhead, development costs and interest. We do not defer costs of exploitation, which principally comprise costs of film and television program marketing and distribution. We amortize deferred film and television production costs, as well as associated participation and residual costs, on an individual production basis using the ratio of the current period's gross revenues to estimated total remaining gross revenues from all sources; we state such costs at the lower of amortized cost or fair value. We defer the costs of acquired broadcast material, including rights to material for use on NBC Universal's broadcast and cable networks, at the earlier of acquisition or when the license period begins and the material is available for use. We amortize acquired broadcast material and rights when we broadcast the associated programs; we state such costs at the lower of amortized cost or net realizable value.

Losses on financing receivables

Our allowance for losses on financing receivables represents our best estimate of probable losses inherent in the portfolio. Our method of calculating estimated losses depends on the size, type and risk characteristics of the related receivables. Write-offs are deducted from the allowance for losses and subsequent recoveries are added. Impaired financing receivables are written down to the extent that principal is judged to be uncollectible.

Our consumer loan portfolio consists of smaller balance, homogeneous loans including card receivables, installment loans, auto loans and leases and residential mortgages. Each portfolio is collectively evaluated for impairment. The allowance for losses on these receivables is established through a process that estimates the probable losses inherent in the portfolio, based upon statistical analyses of portfolio data. These include migration analysis, in which historical delinquency and credit loss experience is applied to the current aging of the portfolio, together with analyses that reflect current trends and conditions. We also consider overall portfolio indicators including nonearning loans, trends in loan volume and lending terms, credit policies and other observable environmental factors.

During 2004, Consumer Finance adopted a global policy for uncollectible receivables that accelerated write-offs to follow one consistent basis. We now write off unsecured closed-end installment loans that become 120 days contractually past due and unsecured open-ended revolving loans that become 180 days contractually past due. Loans secured with non-real-estate collateral are written down to the estimated value of the collateral, less costs to sell, at 120 days contractually past due. Real estate secured loans (both revolving and closed-end) are written down to a percentage of the estimated fair value of the property, less costs to sell, no later than 360 days past due.

The first step in establishing our quarterly allowances for losses on larger balance non-homogenous commercial and equipment loans and leases is to survey the entire portfolio for potential specific credit or collection issues indicating an impairment. This survey first considers the financial status, payment history, collateral value, industry conditions and guarantor support related to specific customers. Any delinquencies or bankruptcies are indications of potential impairment requiring further assessment of collectibility. Our risk function routinely receives financial as well as rating agency reports on our customers, and we elevate for further attention those customers whose operations we judge to be marginal or deteriorating. We also elevate customers for further attention when we observe a decline in collateral values for asset-based loans. While collateral values are not always available, when we observe such a decline, we evaluate relevant markets to assess recovery alternatives—for example, for real estate loans, relevant markets are local; for aircraft loans, relevant markets are global. Our risk function reports to senior management its evaluation of any balances that it has identified as impaired, and we make allowances based on our evaluation of all available information, including expected future cash flows, fair value of collateral net of disposal costs and the secondary market value of the financing receivables. After providing for specific incurred losses, we then determine an allowance for losses that have been incurred in the balance of the portfolio but cannot yet be identified to a specific loan or lease. This estimate is prepared by each line of business every quarter and reviewed by senior management.

Within each business unit, portfolio level modeling is applied where deemed appropriate, for example, by collateral type. As a result, several different statistical analyses requiring judgment are employed as part of this process. These analyses include consideration of historical and projected default rate and loss severity.

Portfolios of smaller balance homogenous commercial and equipment loans which are not individually evaluated for impairment are evaluated collectively for impairment. This evaluation is based upon various statistical analyses which consider historical losses and the current aging of the portfolio.

For homogeneous loans and leases, delinquencies are an important indication of a developing loss, and we monitor delinquency rates closely in all of our portfolios.

Experience is not available with new products; therefore, while we are developing that experience, we set loss allowances based on our experience with the most closely analogous products in our portfolio.

When we repossess collateral in satisfaction of a commercial loan, we write the receivable down against the allowance for losses. Repossessed collateral is included in "All other assets" in the Statement of Financial Position and carried at the lower of cost or estimated fair value less costs to sell.

The underlying assumptions, estimates and assessments we use are continually updated to reflect our view of current conditions. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible to experience credit losses that are different from our current estimates.

Cash and equivalents

Debt securities with original maturities of three months or less are included in cash equivalents unless designated as available-for-sale and classified as investment securities.

Investment securities

We report investments in debt and marketable equity securities, and equity securities at our insurance affiliates, at fair value based on quoted market prices or, if quoted prices are not available, discounted expected cash flows using market rates commensurate with credit quality and maturity of the investment. Unrealized gains and losses on available-for-sale investment securities are included in shareowners' equity, net of applicable taxes and other adjustments. We regularly review investment securities for impairment based on criteria that include the extent to which cost exceeds market value, the duration of that market decline, our intent and ability to hold to recovery and the financial health and specific prospects for the issuer. Unrealized losses that are other than temporary are recognized in earnings. For investment securities designated as trading, unrealized gains and losses are recognized currently in earnings. Realized gains and losses are accounted for on the specific identification method.

Inventories

All inventories are stated at the lower of cost or realizable values. Cost for substantially all of GE's U.S. inventories is determined on a last-in, first-out (LIFO) basis. Cost of other GE inventories is determined on a first-in, first-out (FIFO) basis. GECS inventories consist of finished products held for sale, and cost is determined on a FIFO basis.

Intangible assets

We do not amortize goodwill, but test it annually for impairment using a fair value approach at the "reporting unit" level. A reporting unit is the operating segment, or a business one level below that operating segment (the "component" level) if discrete financial information is prepared and regularly reviewed by segment management. However, components are aggregated as a single reporting unit if they have similar economic characteristics. We recognize an impairment charge for any amount by which the carrying amount of a reporting unit's goodwill exceeds its fair value. We use discounted cash flows to establish fair values. When available and as appropriate, we use comparative market multiples to corroborate discounted cash flow results. When a business within a reporting unit is disposed of, goodwill is allocated to the gain or loss on disposition using the relative fair value method.

We amortize the cost of other intangibles over their estimated useful lives unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested annually for impairment and written down to fair value as required.

GECS insurance accounting policies

Accounting policies for GECS insurance businesses follow.

PREMIUM INCOME. We report insurance premiums as earned income as follows:

- For short-duration insurance contracts (including property and casualty, and accident and health insurance), we report premiums as earned income, generally on a pro-rata basis, over the terms of the related agreements. For retrospectively rated reinsurance contracts, we record premium adjustments based on estimated losses and loss expenses, taking into consideration both case and incurred-but-not-reported (IBNR) reserves.
- For traditional long-duration insurance contracts (including term and whole life contracts and annuities payable for the life of the annuitant), we report premiums as earned income when due.
- For investment contracts and universal life contracts, we report premiums received as liabilities, not as revenues. Universal life contracts are long-duration insurance contracts with terms that are not fixed and guaranteed; for these contracts, we recognize revenues for assessments against the policyholder's account, mostly for mortality, contract initiation, administration and surrender. Investment contracts are contracts that have neither significant mortality nor significant morbidity risk, including annuities payable for a determined period; for these contracts, we recognize revenues on the associated investments, and amounts credited to policyholder accounts are charged to expense.

LIABILITIES FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

represent our best estimate of the ultimate obligations for reported claims plus those IBNR and the related estimated claim settlement expenses for all claims incurred through December 31 of each year. Specific reserves—also referred to as case reserves—are established for reported claims using case-basis evaluations of the underlying claim data and are updated as further information becomes known. IBNR reserves are determined using generally accepted actuarial reserving methods that take into account historical loss experience data and, as appropriate, certain qualitative factors. IBNR reserves are adjusted to take into account certain additional factors that can be expected to affect the liability for claims over time, such as changes in the volume and mix of business written, revisions to contract terms and conditions, changes in legal precedents or developed case law, trends in healthcare and medical costs, and general inflation levels. Settlement of complex claims routinely involves threatened or pending litigation to resolve disputes as to coverage, interpretation of contract terms and conditions or fair compensation for damages suffered. These disputes are settled through negotiation, arbitration or actual litigation. Recorded reserves incorporate our best estimate of the effect that ultimate resolution of such disputes has on both claims payments and related settlement expenses. Liabilities for unpaid claims and claims adjustment expenses are continually reviewed and adjusted; such adjustments are included in current operations and accounted for as changes in estimates.

DEFERRED ACQUISITION COSTS. Costs that vary with and are directly related to the acquisition of new and renewal insurance and investment contracts are deferred and amortized as follows:

- Short-duration contracts—Acquisition costs consist of commissions, brokerage expenses and premium taxes and are amortized ratably over the contract periods in which the related premiums are earned.
- Long-duration contracts—Acquisition costs consist of first-year commissions in excess of recurring renewal commissions, certain variable sales expenses and certain support costs such as underwriting and policy issue expenses. For traditional long-duration insurance contracts, we amortize these costs over the respective contract periods in proportion to either anticipated premium income, or, in the case of limited-payment contracts, estimated benefit payments. For investment contracts and universal life contracts, amortization of these costs is based on estimated gross profits and is adjusted as those estimates are revised.

We review deferred acquisition costs periodically for recoverability considering anticipated investment income.

PRESENT VALUE OF FUTURE PROFITS. The actuarially determined present value of anticipated net cash flows to be realized from insurance, annuity and investment contracts in force at the date of acquisition of life insurance policies is recorded as the present value of future profits and is amortized over the respective policy terms in a manner similar to deferred acquisition costs. We adjust unamortized balances to reflect experience and impairment, if any.

Accounting changes

We adopted Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 46R, *Consolidation of Variable Interest Entities (Revised)*, on January 1, 2004, adding \$2.6 billion of GECS assets and \$2.1 billion of GECS liabilities to our consolidated balance sheet as of that date. The most significant entity consolidated was Penske Truck Leasing Co., L.P. (Penske), which was previously accounted for using the equity method. Penske provides full-service commercial truck leasing, truck rental and logistics services, primarily in North America. This accounting change did not require an adjustment to earnings and will not affect future earnings or cash flows.

We adopted FIN 46, *Consolidation of Variable Interest Entities*, on July 1, 2003, and for the first time consolidated certain special purpose entities. In total, transition resulted in a \$372 million (\$0.04 per share) after-tax accounting charge to our third quarter 2003 net earnings, which is reported in the caption "Cumulative effect of accounting changes."

- FIN 46 required that, if practicable, we consolidate assets and liabilities of FIN 46 entities based on their carrying amounts. For us, such transition losses were primarily associated with interest rate swaps that did not qualify for hedge accounting before transition. Additional transition losses arose from recording carrying amounts of assets and liabilities as we eliminated certain previously recognized gains.
- When it was impracticable to determine carrying amounts, as defined, FIN 46 required assets and liabilities to be consolidated at their July 1, 2003, fair values. We recognized a loss on consolidation of certain of these entities because the fair value of associated liabilities, including the fair values of interest rate swaps, exceeded independently appraised fair values of their related assets.
- For assets that had been securitized using qualifying special purpose entities (QSPEs), transition carrying amounts were based on hypothetical repurchase of the assets at fair value. Transition effects associated with consolidation of these assets and liabilities were insignificant, as were transition effects of consolidating assets and liabilities associated with issuance of guaranteed investment contracts (GICs).

Further information about these entities is provided in note 29.

Statement of Financial Accounting Standards (SFAS) 143, *Accounting for Asset Retirement Obligations*, became effective for us on January 1, 2003. Under SFAS 143, obligations associated with the retirement of long-lived assets are recorded when there is a legal obligation to incur such costs. This amount is accounted for like an additional element of cost, and, like other cost elements, is depreciated over the corresponding asset's useful life. On January 1, 2003, we recorded a one-time, non-cash transition charge of \$330 million (\$215 million after tax, or \$0.02 per share), which is reported in the caption "Cumulative effect of accounting changes."

SFAS 143 primarily affects our accounting for costs associated with the future retirement of facilities used for storage and production of nuclear fuel and, with our acquisition of Amersham plc (Amersham) in April 2004, radio-pharmaceuticals and special radio-labeled chemicals. See note 20.

In 2002, we adopted SFAS 142, *Goodwill and Other Intangible Assets*, under which goodwill is no longer amortized but is tested for impairment using a fair value method. Using the required reporting unit basis, we tested all of our goodwill for impairment as of January 1, 2002, and recorded a non-cash charge of \$1.204 billion (\$1.015 billion after tax, or \$0.10 per share). All of the charge related to Equipment & Other Services. Factors contributing to the impairment charge were the difficult economic environment in the information technology sector and heightened price competition in the auto insurance industry. No impairment charge had been required under our previous goodwill impairment policy, which was based on undiscounted cash flows.

Also in 2002, we adopted on a prospective basis the stock option expense provisions of SFAS 123, *Accounting for Stock-Based Compensation*. A comparison of reported and pro-forma net earnings, including effects of expensing stock options, follows.

(In millions; per-share amounts in dollars)	2004	2003	2002
Net earnings, as reported	\$16,593	\$15,002	\$14,118
Earnings per share, as reported			
Diluted	1.59	1.49	1.41
Basic	1.60	1.50	1.42
Stock option expense			
included in net earnings	93	81	27
Total stock option expense ^(a)	245	315	330
PRO-FORMA EFFECTS			
Net earnings, on pro-forma basis	16,441	14,768	13,815
Earnings per share, on pro-forma basis			
Diluted	1.57	1.47	1.38
Basic	1.58	1.47	1.39

(a) As if we had applied SFAS 123 to expense stock options in all periods. Included amounts we actually recognized in earnings.

Note 2

GE Other Income

(In millions)	2004	2003	2002
Gain on dispositions of businesses, net ^(a)	\$ 464	\$110	\$ 506
Associated companies	191	118	(170)
Licensing and royalty income	145	135	103
Marketable securities and bank deposits	92	75	31
Other items ^(b)	184	207	636
Total	\$1,076	\$645	\$1,106

(a) Included \$141 million gain on sale of our motors business in 2004 and \$488 million gain on the 2002 disposition of Global eXchange Services.

(b) Included \$571 million gain related to the 2002 Bravo exchange.

Note 3

GECS Revenues from Services

(In millions)	2004	2003	2002
Interest on time sales and loans	\$18,956	\$17,196	\$14,068
Premiums earned by			
insurance businesses	16,126	18,661	16,484
Operating lease rentals	10,744 ^(a)	7,199	6,879
Investment income	6,764	6,489	5,570
Financing leases	4,160	4,206	4,441
Fees	3,860	3,162	2,943
Other income	7,326 ^(b)	5,138	5,018
Total^(c)	\$67,936	\$62,051	\$55,403

(a) Included \$2,593 million relating to the consolidation of Penske.

(b) Included other operating revenue of Penske of \$977 million and gain on sale of Gecis of \$396 million, partially offset by the loss on Genworth Financial, Inc. (Genworth) initial public offering of \$388 million.

(c) Included \$1,002 million in 2004 and \$695 million in 2003 related to consolidated, liquidating securitization entities.

For insurance businesses, the effects of reinsurance on premiums written and premiums earned were as follows:

(In millions)	2004	2003	2002
PREMIUMS WRITTEN			
Direct	\$ 9,463	\$11,640	\$11,659
Assumed	8,666	9,616	9,409
Ceded	(2,879)	(2,654)	(4,069)
Total	\$15,250	\$18,602	\$16,999
PREMIUMS EARNED			
Direct	\$10,235	\$11,448	\$10,922
Assumed	8,455	9,964	9,569
Ceded	(2,564)	(2,751)	(4,007)
Total	\$16,126	\$18,661	\$16,484

Note 4

Supplemental Cost Information

Total expenditures for research and development were \$3,091 million, \$2,656 million and \$2,631 million in 2004, 2003 and 2002, respectively. The portion we funded was \$2,443 million in 2004, \$2,103 million in 2003 and \$2,215 million in 2002.

Rental expense under operating leases is shown below.

(In millions)	2004	2003	2002
GE	\$874	\$733	\$773
GECS	997	893	977

At December 31, 2004, minimum rental commitments under noncancelable operating leases aggregated \$2,880 million and \$4,838 million for GE and GECS, respectively. Amounts payable over the next five years follow.

(In millions)	2005	2006	2007	2008	2009
GE	\$601	\$463	\$376	\$306	\$255
GECS	782	768	633	543	509

GE's selling, general and administrative expenses totaled \$12,001 million in 2004, \$9,870 million in 2003 and \$9,131 million in 2002.

Note 5

Retiree Health and Life Benefits

We sponsor a number of retiree health and life insurance benefit plans (retiree benefit plans). Principal retiree benefit plans are discussed below; other such plans are not significant individually or in the aggregate.

PRINCIPAL RETIREE BENEFIT PLANS generally provide health and life insurance benefits to employees who retire under the GE Pension Plan with 10 or more years of service. See note 6. Retirees share in the cost of healthcare benefits. Certain benefit provisions are subject to collective bargaining. These plans cover approximately 250,000 retirees and dependents.

The effect on operations of principal retiree benefit plans is shown in the following table.

COST OF PRINCIPAL RETIREE BENEFIT PLANS

(In millions)	2004	2003	2002
Expected return on plan assets	\$(149)	\$(159)	\$(170)
Service cost for benefits earned	210	307	277
Interest cost on benefit obligation	518	535	469
Prior service cost	298	191	96
Net actuarial loss recognized	60	127	78
Retiree benefit plans cost	\$ 937	\$1,001	\$ 750

ACTUARIAL ASSUMPTIONS. The discount rates at December 31 were used to measure the year-end benefit obligations and the earnings effects for the subsequent year. Actuarial assumptions used to determine benefit obligations and earnings effects for principal retiree benefit plans follow.

ACTUARIAL ASSUMPTIONS

December 31	2004	2003	2002	2001
Discount rate ^(a)	5.75%	6.0%	6.75%	7.25%
Compensation increases	5	5	5	5
Expected return on assets	8.5	8.5	8.5	9.5
Initial healthcare trend rate ^(b)	10.3	10.5	13	12

(a) Weighted average discount rates for determination of 2004 and 2003 costs were 5.9% and 6.4%, respectively.

(b) For 2004, gradually declining to 5% for 2013 and thereafter.

To determine the expected long-term rate of return on retiree life plan assets, we consider the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. We apply our expected rate of return to a market-related value of assets, which stabilizes variability in assets to which we apply that expected return.

We amortize experience gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, over a period no longer than the average future service of employees.

FUNDING POLICY for retiree health benefits is generally to pay covered expenses as they are incurred. We fund retiree life insurance benefits at our discretion.

Changes in the accumulated postretirement benefit obligation for retiree benefit plans follow.

ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION (APBO)

(In millions)	2004	2003
Balance at January 1	\$9,701	\$7,435
Service cost for benefits earned	210	307
Interest cost on benefit obligation	518	535
Participant contributions	37	33
Plan amendments ^(a)	—	2,483
Actuarial gain	(509)	(416)
Benefits paid	(797)	(720)
Other	90	44
Balance at December 31^(b)	\$9,250	\$9,701

(a) Related to changes in retiree benefit plans resulting from collective bargaining agreements that extend through June 2007.

(b) The APBO for the retiree health plans was \$6,979 million and \$7,514 million at year-end 2004 and 2003, respectively.

Increasing or decreasing the healthcare cost trend rates by 1.0 percentage point would have had an insignificant effect on the December 31, 2004, accumulated postretirement benefit obligation and the annual cost of retiree health plans. Our principal retiree benefit plans are collectively bargained and have provisions that limit our per capita costs.

Changes in the fair value of assets for retiree benefit plans follow.

FAIR VALUE OF ASSETS

(In millions)	2004	2003
Balance at January 1	\$1,626	\$1,426
Actual gain on plan assets	160	309
Employer contributions	626	565
Participant contributions	37	33
Benefits paid	(797)	(720)
Other	—	13
Balance at December 31	\$1,652	\$1,626

We expect to contribute approximately \$710 million in 2005 to cover unfunded healthcare benefits.

Plan assets are held in trust, as follows:

PLAN ASSET ALLOCATION

	2004		2003
December 31	Target allocation	Actual allocation	Actual allocation
Equity securities	62-74%	71%	73%
Debt securities	20-26	19	20
Real estate	1-5	1	1
Other	3-9	9	6
Total	100%	100%	100%

Plan fiduciaries set investment policies and strategies for the trust. Long-term strategic investment objectives include preserving the funded status of the trust and balancing risk and return. The plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, setting long-term strategic targets and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, and occasionally plan fiduciaries will approve allocations above or below a target range.

Trust assets invested in short-term securities must be invested in securities rated A1/P1 or better. GE common stock represented 6.2% and 5.4% of trust assets at year-end 2004 and 2003, respectively, and is subject to a statutory limit when it reaches 10% of total trust assets.

Our recorded assets and liabilities for retiree benefit plans are as follows:

RETIREE BENEFIT ASSET (LIABILITY)

December 31 (In millions)	2004	2003
Funded status ^(a)	\$(7,598)	\$(8,075)
Unrecognized prior service cost	2,747	3,045
Unrecognized net actuarial loss	1,004	1,584
Net liability recognized	\$(3,847)	\$(3,446)
Amounts recorded in the Statement of Financial Position:		
Retiree life plans prepaid asset	\$ 38	\$ 81
Retiree health plans liability	(3,885)	(3,527)
Net liability recognized	\$(3,847)	\$(3,446)

(a) Fair value of assets less APBO, as shown in the preceding tables.

Estimated future benefit payments are as follows:

ESTIMATED FUTURE BENEFIT PAYMENTS

(In millions)	2005	2006	2007	2008	2009	2010-2014
	\$875	\$850	\$900	\$850	\$800	\$3,600

Effective April 1, 2004, we included the effects of the U.S. Medicare Prescription Drug, Improvement and Modernization Act of 2003 in our consolidated financial statements, reducing APBO by \$583 million without a significant effect on our 2004 operations.

Note 6**Pension Benefits**

We sponsor a number of pension plans. Principal pension plans, together with affiliate and certain other pension plans (other pension plans), detailed in this note represent about 99% of our total pension assets.

PRINCIPAL PENSION PLANS are the GE Pension Plan and the GE Supplementary Pension Plan.

The GE Pension Plan provides benefits to certain U.S. employees based on the greater of a formula recognizing career earnings or a formula recognizing length of service and final average earnings. Certain benefit provisions are subject to collective bargaining.

The GE Supplementary Pension Plan is an unfunded plan providing supplementary retirement benefits primarily to higher-level, longer-service U.S. employees.

OTHER PENSION PLANS in 2004 included 34 U.S. and non-U.S. pension plans with pension assets or obligations greater than \$50 million. These defined benefit plans generally provide benefits to employees based on formulas recognizing length of service and earnings.

PENSION PLAN PARTICIPANTS

(In thousands)	Principal pension plans	Other pension plans
Active employees	141	47
Vested former employees	174	35
Retirees and beneficiaries	205	22
Total	520	104

Details of the cost of our pension plans follow.

COST OF PENSION PLANS

	Total			Principal pension plans			Other pension plans		
(In millions)	2004	2003	2002	2004	2003	2002	2004	2003	2002
Expected return on plan assets	\$(4,258)	\$(4,245)	\$(4,245)	\$(3,958)	\$(4,072)	\$(4,084)	\$(300)	\$(173)	\$(161)
Service cost for benefits earned	1,438	1,375	1,245	1,178	1,213	1,107	260	162	138
Interest cost on benefit obligation	2,516	2,390	2,288	2,199	2,180	2,116	317	210	172
Prior service cost	317	252	221	311	248	217	6	4	4
Net actuarial loss (gain) recognized	242	(544)	(905)	146	(609)	(912)	96	65	7
Total cost	\$ 255	\$ (772)	\$(1,396)	\$ (124)	\$(1,040)	\$(1,556)	\$ 379	\$ 268	\$ 160

ACTUARIAL ASSUMPTIONS are described below. The discount rates at December 31 were used to measure the year-end benefit obligations and the earnings effects for the subsequent year.

ACTUARIAL ASSUMPTIONS

	Principal pension plans				Other pension plans (weighted average)			
December 31	2004	2003	2002	2001	2004	2003	2002	2001
Discount rate	5.75%	6.00%	6.75%	7.25%	5.28%	5.54%	5.87%	6.55%
Compensation increases	5.00	5.00	5.00	5.00	4.02	3.85	3.90	4.27
Expected return on assets	8.50	8.50	8.50	9.50	7.61	7.61	7.62	8.19

To determine the expected long-term rate of return on pension plan assets, we consider the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. For the principal pension plans, we apply our expected rate of return to a market-related value of assets, which stabilizes variability in assets to which we apply that expected return.

We amortize experience gains and losses and effects of changes in actuarial assumptions and plan provisions over a period no longer than the average future service of employees.

FUNDING POLICY for the GE Pension Plan is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws plus such additional amounts as we may determine to be appropriate. We have not made contributions to the GE Pension Plan since 1987. We will not make any contributions to the GE Pension Plan in 2005; any GE contribution to that plan would require payment of excise taxes and would not be deductible for income tax purposes. In 2005, we expect to pay approximately \$115 million for the GE Supplementary Pension Plan benefit payments and administrative expenses (\$102 million in 2004), and expect to contribute approximately \$340 million to other pension plans (\$370 million in 2004).

BENEFIT OBLIGATIONS are described in the following table.

Accumulated and projected benefit obligations (ABO and PBO) represent the obligations of a pension plan for past service as of the measurement date. ABO is the present value of benefits earned to date with benefits computed based on current compensation levels. PBO is ABO increased to reflect expected future compensation.

PROJECTED BENEFIT OBLIGATION

	Principal pension plans		Other pension plans	
(In millions)	2004	2003	2004	2003
Balance at January 1	\$37,827	\$33,266	\$4,863	\$3,475
Service cost for benefits earned	1,178	1,213	260	162
Interest cost on benefit obligations	2,199	2,180	317	210
Participant contributions	163	169	31	25
Plan amendments	—	654	15	2
Actuarial loss ^(a)	969	2,754	371	164
Benefits paid	(2,367)	(2,409)	(230)	(148)
Acquired plans	—	—	1,169	551
Exchange rate adjustments and other	—	—	448	422
Balance at December 31 ^(b)	\$39,969	\$37,827	\$7,244	\$4,863

(a) Principally associated with discount rate changes for principal pension plans.

(b) The PBO for the GE Supplementary Pension Plan was \$3.3 billion and \$2.7 billion at year-end 2004 and 2003, respectively.

ABO balances for our pension plans follow.

ACCUMULATED BENEFIT OBLIGATION

December 31 (In millions)	2004	2003
GE Pension Plan	\$35,296	\$33,859
GE Supplementary Pension Plan	1,916	1,619
Other pension plans	6,434	4,422

Following is information about our pension plans in which the accumulated benefit obligation exceeds the fair value of plan assets:

PLANS WITH ASSETS LESS THAN ABO

December 31 (In millions)	2004	2003
Funded plans with assets less than ABO:		
Plan assets	\$3,943	\$2,640
Accumulated benefit obligations	5,075	3,460
Projected benefit obligations	5,825	3,852
Unfunded plans covered by book reserves: ^(a)		
Accrued pension liability	2,948	2,456
Accumulated benefit obligations	2,628	2,201
Projected benefit obligations	4,001	3,330

(a) Primarily related to the GE Supplementary Pension Plan.

Pension Plan Assets are described below.

FAIR VALUE OF ASSETS

(In millions)	Principal pension plans		Other pension plans	
	2004	2003	2004	2003
Balance at January 1	\$43,879	\$37,811	\$3,035	\$2,064
Actual gain on plan assets	4,888	8,203	292	264
Employer contributions	102	105	370	183
Participant contributions	163	169	31	25
Benefits paid	(2,367)	(2,409)	(230)	(148)
Acquired plans	—	—	868	373
Exchange rate adjustments and other	—	—	286	274
Balance at December 31	\$46,665	\$43,879	\$4,652	\$3,035

Our pension plan assets are held in trust, as follows:

PLAN ASSET ALLOCATION

December 31	Principal pension plans		
	Target Allocation	Actual Allocation	Actual Allocation
Equity securities	51-63%	63%	60%
Debt securities	21-27	19	20
Real estate	4-8	6	7
Private equities	5-11	6	7
Other	3-7	6	6
Total		100%	100%

Plan fiduciaries of the GE Pension Plan set investment policies and strategies for the GE Pension Trust. Long-term strategic investment objectives include preserving the funded status of the trust and balancing risk and return. These plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, commissioning periodic asset-liability studies, setting long-term strategic targets and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, and occasionally plan fiduciaries will approve allocations above or below a target range.

GE Pension Trust assets are invested subject to the following additional guidelines:

- Short-term securities must be rated A1/P1 or better,
- Real estate may not exceed 25% of total assets (6% of trust assets at December 31, 2004),
- Investments in securities not freely tradable may not exceed 20% of total assets (11% of trust assets at December 31, 2004), and
- GE stock is limited by statute when it reaches 10% of total trust assets (7.0% and 6.3% at the end of 2004 and 2003, respectively).

December 31	Other pension plans (weighted average)		
	2004	2003	2002
Equity securities	62%	65%	63%
Debt securities	30	27	32
Real estate	3	3	2
Other	5	5	3
Total	100%	100%	100%

Our recorded assets and liabilities for pension plans are as follows:

PREPAID PENSION ASSET (LIABILITY)

December 31 (In millions)	Principal pension plans		Other pension plans	
	2004	2003	2004	2003
Funded status ^(a)	\$ 6,696	\$ 6,052	\$(2,592)	\$(1,828)
Unrecognized prior service cost	1,260	1,571	45	36
Unrecognized net actuarial loss	7,481	7,588	1,662	1,184
Net amount recognized	\$15,437	\$15,211	\$ (885)	\$ (608)

Amounts recorded in the

Statement of Financial

Position:

Prepaid pension asset	\$17,629	\$17,038	\$ 158	\$ 20
Accrued pension obligation ^(b)	(2,192)	(1,827)	(2,061)	(1,040)
Intangible assets	—	—	57	49
Accumulated other comprehensive income	—	—	961	363
Net amount recognized	\$15,437	\$15,211	\$ (885)	\$ (608)

(a) Fair value of assets less PBO, as shown in the preceding tables.

(b) For principal pension plans, represents the GE Supplementary Pension Plan liability.

Estimated future benefit payments for our pension plans are as follows:

ESTIMATED FUTURE BENEFIT PAYMENTS

(In millions)	Principal pension plans	Other pension plans
2005	\$ 2,350	\$ 250
2006	2,400	250
2007	2,400	275
2008	2,500	275
2009	2,500	300
2010-2014	13,500	1,600

Note 7

Provision for Income Taxes

(In millions)	2004	2003	2002
GE			
Current tax expense	\$ 2,148	\$2,468	\$ 2,833
Deferred tax expense (benefit) from temporary differences	(175)	389	1,004
	1,973	2,857	3,837
GECS			
Current tax expense (benefit)	3,067	720	(1,488)
Deferred tax expense (benefit) from temporary differences	(1,527)	738	1,409
	1,540	1,458	(79)
CONSOLIDATED			
Current tax expense	5,215	3,188	1,345
Deferred tax expense (benefit) from temporary differences	(1,702)	1,127	2,413
Total	\$ 3,513	\$4,315	\$ 3,758

GE and GECS file a consolidated U.S. federal income tax return. The GECS provision for current tax expense includes its effect on the consolidated return.

Consolidated current tax expense includes amounts applicable to U.S. federal income taxes of \$1,839 million, \$1,555 million and \$137 million in 2004, 2003 and 2002, respectively, and amounts applicable to non-U.S. jurisdictions of \$3,135 million, \$1,304 million and \$1,061 million in 2004, 2003 and 2002, respectively. Consolidated deferred taxes related to U.S. federal income taxes was income of \$1,986 million in 2004 compared with expense of \$685 million and \$2,112 million in 2003 and 2002, respectively.

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases as well as from net operating loss and tax credit carryforwards, and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered.

RECONCILIATION OF U.S. FEDERAL STATUTORY INCOME TAX RATE TO ACTUAL INCOME TAX RATE

	Consolidated			GE			GECS		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Increase (reduction) in rate resulting from:									
Inclusion of after-tax earnings of GECS in before-tax earnings of GE	—	—	—	(15.4)	(14.7)	(8.5)	—	—	—
Tax-exempt income	(1.0)	(1.1)	(1.2)	—	—	—	(2.0)	(2.4)	(5.1)
Tax on global activities including exports	(12.4)	(9.0)	(10.6)	(5.8)	(4.3)	(5.2)	(14.6)	(10.8)	(22.5)
IRS settlements of Lockheed Martin tax-free exchange/Puerto Rico subsidiary loss	(3.4)	—	—	(3.7)	—	—	—	—	—
All other—net	(0.7)	(3.2)	(3.3)	0.5	(0.5)	(1.1)	(2.5)	(6.0)	(9.1)
	(17.5)	(13.3)	(15.1)	(24.4)	(19.5)	(14.8)	(19.1)	(19.2)	(36.7)
Actual income tax rate	17.5%	21.7%	19.9%	10.6%	15.5%	20.2%	15.9%	15.8%	(1.7)%

Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. We evaluate the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of temporary differences and forecasted operating earnings. See note 21 for details.

We have not provided U.S. deferred taxes on cumulative earnings of non-U.S. affiliates and associated companies that have been reinvested indefinitely. These earnings relate to ongoing operations and, at December 31, 2004, were approximately \$29 billion. Because of the availability of U.S. foreign tax credits, it is not practicable to determine the U.S. federal income tax liability that would be payable if such earnings were not reinvested indefinitely. Deferred taxes are provided for earnings of non-U.S. affiliates and associated companies when we plan to remit those earnings.

The American Jobs Creation Act of 2004 (the Act) allows U.S. companies a one-time opportunity to repatriate non-U.S. earnings through 2005 at a 5.25% rate of tax rather than the normal U.S. tax rate of 35%, provided that certain criteria, including qualified U.S. reinvestment, are met. Available tax credits related to the repatriation would be reduced under provisions of the Act. While GE continues to evaluate the Act, because the vast majority of our permanently reinvested non-U.S. earnings have been deployed in active business operations, and it is therefore unlikely that we will repatriate any material portion of our permanently reinvested non-U.S. earnings, no incremental tax provision effect has been recorded through December 31, 2004. If we were to repatriate up to \$3,000 million of indefinitely reinvested earnings in 2005, incremental taxes would be provided at less than a 5% rate.

Consolidated U.S. income before taxes and the cumulative effect of accounting changes was \$8.6 billion in 2004, \$11.2 billion in 2003 and \$12.0 billion in 2002. The corresponding amounts for non-U.S.-based operations were \$11.5 billion in 2004, \$8.7 billion in 2003 and \$6.9 billion in 2002.

A reconciliation of the U.S. federal statutory income tax rate to the actual income tax rate is provided below.

Note 8**Earnings Per Share Information**

	2004		2003		2002	
	Diluted	Basic	Diluted	Basic	Diluted	Basic
CONSOLIDATED OPERATIONS						
Earnings before accounting changes	\$16,593	\$16,593	\$15,589	\$15,589	\$15,133	\$15,133
Adjustments to earnings before accounting changes ^(a)	(1)	—	1	—	13	—
Earnings before accounting changes for per-share calculation	16,592	16,593	15,590	15,589	15,146	15,133
Cumulative effect of accounting changes	—	—	(587)	(587)	(1,015)	(1,015)
Net earnings available for per-share calculation	\$16,592	\$16,593	\$15,003	\$15,002	\$14,131	\$14,118
AVERAGE EQUIVALENT SHARES						
Shares of GE common stock outstanding	10,400	10,400	10,019	10,019	9,947	9,947
Employee compensation-related shares, including stock options	45	—	56	—	81	—
Total average equivalent shares	10,445	10,400	10,075	10,019	10,028	9,947
PER-SHARE AMOUNTS						
Earnings before accounting changes	\$ 1.59	\$ 1.60	\$ 1.55	\$ 1.56	\$ 1.51	\$ 1.52
Cumulative effect of accounting changes	—	—	(0.06)	(0.06)	(0.10)	(0.10)
Net earnings per share	\$ 1.59	\$ 1.60	\$ 1.49	\$ 1.50	\$ 1.41	\$ 1.42

(a) Included dividend equivalents and dilutive effects of subsidiary-issued stock-based awards.

Note 9**Investment Securities**

	2004				2003			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
GE								
Available-for-sale securities								
Debt—U.S. corporate	\$ 350	\$ —	\$ —	\$ 350	\$ 350	\$ —	\$ (28)	\$ 322
Equity	58	8	(3)	63	42	18	(2)	58
GE securities	408	8	(3)	413	392	18	(30)	380
GECS								
Available-for-sale securities								
Debt:								
U.S. corporate	51,739	2,921	(565)	54,095	52,299	2,558	(684)	54,173
State and municipal	12,779	337	(35)	13,081	12,707	382	(23)	13,066
Mortgage-backed	15,314	235	(75)	15,474	13,441	271	(93)	13,619
Asset-backed	11,584	291	(52)	11,823	12,503	250	(84)	12,669
Corporate—non-U.S.	17,431	788	(45)	18,174	14,720	557	(89)	15,188
Government—non-U.S.	9,722	274	(27)	9,969	8,558	169	(65)	8,662
U.S. government and federal agency	1,448	84	(3)	1,529	1,616	58	(19)	1,655
Equity	2,059	413	(25)	2,447	2,526	393	(117)	2,802
Trading securities	(a)	(a)	(a)	8,560	(a)	(a)	(a)	7,055
GECS securities	122,076	5,343	(827)	135,152 ^(b)	118,370	4,638	(1,174)	128,889 ^(b)
ELIMINATIONS	(17)	(12)	—	(29)	—	—	—	—
Total	\$122,467	\$5,339	\$(830)	\$135,536	\$118,762	\$4,656	\$(1,204)	\$129,269

(a) Not applicable.

(b) Included \$1,147 million in 2004 and \$1,566 million in 2003 of debt securities related to consolidated, liquidating securitization entities.

Investment securities included in our general account portfolio above and designated as trading represent actively managed debt and equity securities of certain non-U.S. insurance contractholders who retain the related risks and rewards, except in the event of our bankruptcy or liquidation. Changes in unrealized gains and

losses on these securities are recognized currently in earnings. During 2004, the net gain on investment securities classified as trading and included in earnings was \$293 million.

A substantial portion of our mortgage-backed securities are collateralized by U.S. residential mortgages.

Following are estimated fair value of, and gross unrealized losses on, our available-for-sale investment securities.

	Less than 12 months		12 months or more	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
December 31 (In millions)				
2004				
Debt:				
U.S. corporate	\$ 8,092	\$(212)	\$2,347	\$(353)
State and municipal	3,603	(33)	63	(2)
Mortgage-backed	5,572	(55)	563	(20)
Asset-backed	2,501	(20)	485	(32)
Corporate—non-U.S.	4,235	(26)	822	(19)
Government—non-U.S.	1,370	(10)	1,142	(17)
U.S. government and federal agency	237	(2)	43	(1)
Equity	253	(20)	71	(8)
Total	\$25,863	\$(378)	\$5,536	\$(452)
2003				
Debt:				
U.S. corporate	\$ 7,915	\$(255)	\$2,360	\$(457)
State and municipal	1,620	(23)	2	—
Mortgage-backed	4,299	(86)	135	(7)
Asset-backed	2,279	(26)	1,523	(58)
Corporate—non-U.S.	2,925	(71)	123	(18)
Government—non-U.S.	3,317	(60)	24	(5)
U.S. government and federal agency	256	(19)	—	—
Equity	402	(81)	105	(38)
Total	\$23,013	\$(621)	\$4,272	\$(583)

Securities in an unrealized loss position for 12 months or more at December 31, 2004 and 2003, included investment securities collateralized by commercial aircraft, primarily Enhanced Equipment Trust Certificates, with unrealized losses of \$291 million and \$355 million, respectively, and estimated fair values of \$941 million and \$1,072 million, respectively. We review all of our investment securities routinely for other than temporary impairment as described on page 80. In accordance with that policy, we provide for all amounts that we do not expect either to collect in accordance with the contractual terms of the instruments or to recover based on underlying collateral values. For our securities collateralized by commercial aircraft, that review includes our best estimates of the securities' cash flows, underlying collateral values, and assessment of whether the borrower is in compliance with terms and conditions. We believe that our securities, which are current on all payment terms, are in an unrealized loss position because of ongoing negative market reaction to commercial airline industry difficulties. We do not anticipate changes in the timing and amount of estimated cash flows and we expect full recovery of our amortized cost. Should our cash flow expectation prove to be incorrect, the current aggregate market values of aircraft collateral, based on information from independent appraisers, exceeded totals of both the market values and the amortized cost of our securities at December 31, 2004.

CONTRACTUAL MATURITIES OF GECS INVESTMENT IN AVAILABLE-FOR-SALE DEBT SECURITIES (EXCLUDING MORTGAGE-BACKED AND ASSET-BACKED SECURITIES)

(In millions)	Amortized cost	Estimated fair value
Due in		
2005	\$ 7,802	\$ 7,906
2006–2009	22,305	22,593
2010–2014	26,947	27,639
2015 and later	36,065	38,710

We expect actual maturities to differ from contractual maturities because borrowers have the right to call or prepay certain obligations.

Supplemental information about gross realized gains and losses on available-for-sale investment securities follows.

(In millions)	2004	2003	2002
GE			
Gains	\$ 15	\$ 3	\$ —
Losses, including impairments	—	(38)	(76)
Net	15	(35)	(76)
GECS			
Gains	749	1,322	1,578
Losses, including impairments	(342)	(914)	(1,277)
Net	407	408	301
Total	\$ 422	\$ 373	\$ 225

Proceeds from available-for-sale securities sales amounted to \$27,100 million, \$36,600 million and \$46,400 million in 2004, 2003 and 2002, respectively.

Note 10**GE Current Receivables**

December 31 (In millions)	2004	2003
Advanced Materials	\$ 875	\$ 927
Consumer & Industrial	1,031	1,111
Energy	3,788	3,788
Healthcare	2,862	2,024
Infrastructure	466	400
NBC Universal	4,067	938
Transportation	1,981	1,993
Corporate items and eliminations	201	278
	15,271	11,459
Less allowance for losses	(738)	(486)
Total	\$14,533	\$10,973

Receivables balances at December 31, 2004 and 2003, before allowance for losses, included \$10,182 million and \$6,746 million, respectively, from sales of goods and services to customers, and \$246 million and \$226 million, respectively, from transactions with associated companies.

Current receivables of \$435 million and \$444 million at December 31, 2004 and 2003, respectively, arose from sales, principally of aircraft engine goods and services, on open account to various agencies of the U.S. government, our largest single customer. About 4% of our sales of goods and services were to the U.S. government in 2004, 2003 and 2002.

Note 11**Inventories**

December 31 (In millions)	2004	2003
GE		
Raw materials and work in process	\$ 5,042	\$4,530
Finished goods	4,806	4,376
Unbilled shipments	402	281
	10,250	9,187
Less revaluation to LIFO	(661)	(632)
	9,589	8,555
GECS		
Finished goods	189	197
Total	\$ 9,778	\$8,752

As of December 31, 2004, we were obligated to acquire certain raw materials at market prices through the year 2023 under various take-or-pay or similar arrangements. Annual minimum commitments under these arrangements are insignificant.

Note 12**GECS Financing Receivables
(investments in time sales, loans and financing leases)**

December 31 (In millions)	2004	2003
Time sales and loans, net of deferred income	\$220,361	\$188,842
Investment in financing leases, net of deferred income	67,754	65,320
	288,115	254,162
Less allowance for losses (note 13)	(5,648)	(6,256)
Financing receivables—net	\$282,467	\$247,906

Included in the above are the financing receivables of consolidated, liquidating securitization entities as follows:

December 31 (In millions)	2004	2003
Time sales and loans, net of deferred income	\$20,496	\$18,050
Investment in financing leases, net of deferred income	2,125	3,827
	22,621	21,877
Less allowance for losses	(5)	—
Financing receivables—net	\$22,616	\$21,877

Details by segment follow.

December 31 (In millions)	2004	2003
COMMERCIAL FINANCE		
Equipment	\$ 74,970	\$ 68,085
Commercial and industrial	36,443	35,035
Real estate	20,470	20,171
Commercial aircraft	13,562	12,424
	145,445	135,715
CONSUMER FINANCE		
Non-U.S. residential mortgages	42,201	19,593
Non-U.S. installment and revolving credit	33,889	31,954
Non-U.S. auto	23,517	20,729
U.S. installment and revolving credit	21,385	16,545
Other	6,771	5,856
	127,763	94,677
EQUIPMENT & OTHER SERVICES	14,907	23,770
	288,115	254,162
Less allowance for losses	(5,648)	(6,256)
Total	\$282,467	\$247,906

GECS financing receivables include both time sales and loans and financing leases. Time sales and loans represent transactions in a variety of forms, including time sales, revolving charge and credit, mortgages, installment loans, intermediate-term loans and revolving loans secured by business assets. The portfolio includes time sales and loans carried at the principal amount on which finance charges are billed periodically, and time sales and loans carried at gross book value, which includes finance charges.

Investment in financing leases consists of direct financing and leveraged leases of aircraft, railroad rolling stock, autos, other transportation equipment, data processing equipment and medical equipment, as well as other manufacturing, power generation, commercial real estate, and commercial equipment and facilities.

As the sole owner of assets under direct financing leases and as the equity participant in leveraged leases, GECS is taxed on total lease payments received and is entitled to tax deductions based on the cost of leased assets and tax deductions for interest paid to third-party participants. GECS is generally entitled to any residual value of leased assets.

Investment in direct financing and leveraged leases represents net unpaid rentals and estimated unguaranteed residual values of leased equipment, less related deferred income. GECS has no

general obligation for principal and interest on notes and other instruments representing third-party participation related to leveraged leases; such notes and other instruments have not been included in liabilities but have been offset against the related rentals receivable. The GECS share of rentals receivable on leveraged leases is subordinate to the share of other participants who also have security interests in the leased equipment.

NET INVESTMENT IN FINANCING LEASES

December 31 (In millions)	Total financing leases		Direct financing leases		Leveraged leases	
	2004	2003	2004	2003	2004	2003
Total minimum lease payments receivable	\$ 91,840	\$ 91,592	\$63,733	\$62,121	\$28,107	\$ 29,471
Less principal and interest on third-party nonrecourse debt	(20,992)	(22,144)	—	—	(20,992)	(22,144)
Net rentals receivable	70,848	69,448	63,733	62,121	7,115	7,327
Estimated unguaranteed residual value of leased assets	10,323	9,747	6,898	6,072	3,425	3,675
Less deferred income	(13,417)	(13,875)	(9,966)	(10,099)	(3,451)	(3,776)
Investment in financing leases, net of deferred income	67,754	65,320	60,665	58,094	7,089	7,226
Less amounts to arrive at net investment						
Allowance for losses	(1,090)	(830)	(903)	(734)	(187)	(96)
Deferred taxes	(9,767)	(10,250)	(5,099)	(5,793)	(4,668)	(4,457)
Net investment in financing leases	\$ 56,897	\$ 54,240	\$54,663	\$51,567	\$ 2,234	\$ 2,673

CONTRACTUAL MATURITIES

(In millions)	Total time sales and loans	Net rentals receivable
Due in		
2005	\$ 66,085	\$17,767
2006	31,394	14,595
2007	25,461	10,900
2008	13,770	7,908
2009	13,796	5,097
2010 and later	69,855	14,581
Total	\$220,361	\$70,848

We expect actual maturities to differ from contractual maturities.

Individually "impaired" loans are defined by GAAP as larger balance or restructured loans for which it is probable that the lender will be unable to collect all amounts due according to original contractual terms of the loan agreement. An analysis of impaired loans follows.

December 31 (In millions)	2004	2003
Loans requiring allowance for losses	\$1,689	\$1,062
Loans expected to be fully recoverable	520	1,430
	\$2,209	\$2,492
Allowance for losses	\$ 749	\$ 434
Average investment during year	2,403	2,318
Interest income earned while impaired ^(a)	26	33

(a) Recognized principally on cash basis.

Note 13**GECS Allowance for Losses on Financing Receivables**

(In millions)	2004	2003	2002
BALANCE AT JANUARY 1			
Commercial Finance	\$ 2,244	\$ 2,664	\$ 2,532
Consumer Finance	3,984	2,782	2,173
Equipment & Other Services	28	54	87
	6,256	5,500	4,792
PROVISION CHARGED TO OPERATIONS			
Commercial Finance	651	887	1,110
Consumer Finance	3,219	2,808	1,950
Equipment & Other Services	18	57	24
	3,888	3,752	3,084
OTHER ADDITIONS (REDUCTIONS)^(a)	(74)	679	704
GROSS WRITE-OFFS			
Commercial Finance	(954)	(1,321)	(1,262)
Consumer Finance ^(b)	(4,423)	(3,114)	(2,383)
Equipment & Other Services	(75)	(88)	(77)
	(5,452)	(4,523)	(3,722)
RECOVERIES			
Commercial Finance	163	126	95
Consumer Finance	846	710	534
Equipment & Other Services	21	12	13
	1,030	848	642
BALANCE AT DECEMBER 31			
Commercial Finance	2,140	2,244	2,664
Consumer Finance	3,473	3,984	2,782
Equipment & Other Services	35	28	54
Balance at December 31	\$ 5,648	\$ 6,256	\$ 5,500

(a) Other additions (reductions) primarily included the effects of acquisitions, securitization activity and the effects of exchange rates. These additions (reductions) included \$314 million, \$480 million and \$487 million related to acquisitions and \$(461) million, \$(335) million and \$(80) million related to securitization activity in 2004, 2003 and 2002, respectively.

(b) Included \$889 million in 2004 related to the standardization of our write-off policy.

See note 12 for amounts related to consolidated, liquidating securitization entities.

SELECTED FINANCING RECEIVABLES RATIOS

December 31	2004	2003
ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES AS A PERCENTAGE OF TOTAL FINANCING RECEIVABLES		
Commercial Finance	1.47%	1.65%
Consumer Finance ^(a)	2.72	4.21
Equipment & Other Services	0.23	0.12
Total	1.96	2.46
NONEARNING AND REDUCED EARNING FINANCING RECEIVABLES AS A PERCENTAGE OF TOTAL FINANCING RECEIVABLES		
Commercial Finance	1.1%	1.3%
Consumer Finance ^(a)	2.0	2.6
Equipment & Other Services	1.2	0.6
Total	1.5	1.7

(a) The standardization of our write-off policy in 2004 reduced the allowance for losses on financing receivables as a percentage of total financing receivables by 74 basis points, and nonearning and reduced earning financing receivables as a percentage of total financing receivables by 57 basis points.

Note 14**GECS Insurance Receivables**

December 31 (In millions)	2004	2003
Reinsurance recoverables	\$11,509	\$12,067
Commercial mortgage loans	6,993	6,648
Premiums receivable	4,479	4,510
Policy loans	1,378	1,245
Funds on deposit with reinsurers	590	623
Other	1,240	2,669
Allowance for losses	(218)	(221)
Total ^(a)	\$25,971	\$27,541

(a) Included \$342 million in 2004 and \$484 million in 2003 related to consolidated, liquidating securitization entities.

Note 15**Property, Plant and Equipment**

December 31 (Dollars in millions)	Estimated useful lives—new (years)	2004	2003
ORIGINAL COST			
GE			
Land and improvements	8 ^(a)	\$ 1,274	\$ 861
Buildings, structures and related equipment	8–40	9,168	8,369
Machinery and equipment	4–20	25,775	24,184
Leasehold costs and manufacturing plant under construction	1–10	2,930	2,228
		39,147	35,642
GECS^(b)			
Buildings and equipment	1–40	6,167	4,792
Equipment leased to others			
Aircraft	20	26,837	23,069
Vehicles	4–14	23,056	16,600
Railroad rolling stock	9–30	3,390	3,356
Mobile and modular space	12–20	2,965	3,164
Construction and manufacturing	3–25	1,772	1,563
All other	3–33	3,021	3,026
		67,208	55,570
Total		\$106,355	\$91,212
NET CARRYING VALUE			
GE			
Land and improvements		\$ 1,176	\$ 814
Buildings, structures and related equipment		3,956	4,332
Machinery and equipment		8,955	7,547
Leasehold costs and manufacturing plant under construction		2,669	1,873
		16,756	14,566
GECS^(b)			
Buildings and equipment		3,526	2,827
Equipment leased to others			
Aircraft ^(c)		21,991	19,097
Vehicles		14,062	9,745
Railroad rolling stock		2,193	2,220
Mobile and modular space		1,636	1,814
Construction and manufacturing		1,157	1,121
All other		2,013	1,998
		46,578	38,822
Total		\$ 63,334	\$53,388

(a) Estimated useful lives exclude land.

(b) Included \$2.2 billion and \$2.1 billion of original cost of assets leased to GE with accumulated amortization of \$0.4 billion and \$0.3 billion at December 31, 2004 and 2003, respectively.

(c) Commercial Finance recognized impairment losses of \$0.1 billion in 2004 and \$0.2 billion in 2003 recorded in the caption "Other costs and expenses" in the Statement of Earnings to reflect adjustments to fair value based on current market values from independent appraisers.

Amortization of GECS equipment leased to others was \$5,365 million, \$4,224 million and \$3,919 million in 2004, 2003 and 2002, respectively. Noncancelable future rentals due from customers for equipment on operating leases at December 31, 2004, are due as follows:

(In millions)	
Due in	
2005	\$ 7,001
2006	5,537
2007	4,155
2008	2,971
2009	2,056
2010 and later	6,272
Total	\$27,992

Note 16**Intangible Assets**

December 31 (In millions)	2004	2003
GE		
Goodwill	\$45,775	\$26,242
Capitalized software	1,894	1,678
Other intangibles	7,051	2,284
	54,720	30,204
GECS		
Goodwill	25,416	21,527
Present value of future profits (PVFP)	1,426	1,562
Capitalized software	758	800
Other intangibles	920	932
	28,520	24,821
Total	\$83,240	\$55,025

GE intangible assets were net of accumulated amortization of \$6,098 million in 2004 and \$5,759 million in 2003. GECS intangible assets were net of accumulated amortization of \$10,876 million in 2004 and \$10,292 million in 2003.

Changes in goodwill balances, net of accumulated amortization, follow.

(In millions)	2004				2003			
	Balance January 1	Acquisitions/purchase accounting adjustments	Inter-segment transfers	Currency exchange and other	Balance December 31	Balance January 1	Acquisitions/purchase accounting adjustments	Currency exchange and other
Advanced Materials	\$ 2,810	\$ (6)	\$ —	\$ 46	\$ 2,850	\$ 2,077	\$ 720	\$ 13
Commercial Finance	8,736	938	523	74	10,271	8,469	183	84
Consumer Finance	7,779	1,275	384	422	9,860	5,562	1,294	923
Consumer & Industrial	795	—	—	(16)	779	720	15	60
Energy	4,212	200	—	144	4,556	3,374	450	388
Equipment & Other Services	920	(11)	(523)	1,073 ^(a)	1,459	887	29	4
Healthcare	4,766	8,422	—	71	13,259	2,898	1,846	22
Infrastructure	3,725	633	—	56	4,414	3,192	365	168
Insurance	4,092	10	(384)	108	3,826	4,176	12	(96)
NBC Universal	6,730	9,944	—	(2)	16,672	5,223	1,507	—
Transportation	3,204	53	—	(12)	3,245	2,842	354	8
Total	\$47,769	\$21,458	\$ —	\$1,964	\$71,191	\$39,420	\$6,775	\$1,574

(a) Included \$1,055 million of goodwill associated with the consolidation of Penske effective January 1, 2004.

The amount of goodwill related to new acquisitions during 2004 was \$20,958 million, the largest of which were the combination of NBC and Vivendi Universal Entertainment LLLP (VUE) and the acquisitions of Amersham by Healthcare and InVision Technologies, Inc. (\$618 million) by Infrastructure.

The amount of goodwill related to purchase accounting adjustments to prior-year acquisitions during 2004 was \$500 million, primarily associated with the 2003 acquisition of Instrumentarium at Healthcare and Allbank and First National Bank at Consumer Finance.

The amount of goodwill related to new acquisitions recorded during 2003 was \$6,602 million, the largest of which were Instrumentarium (\$1,754 million) by Healthcare, Bravo (\$1,473 million) by NBC Universal and First National Bank (\$680 million) by Consumer Finance.

The amount of goodwill related to purchase accounting adjustments to prior-year acquisitions during 2003 was \$173 million, primarily associated with the 2002 acquisitions of several businesses at Infrastructure, Australian Guarantee Corporation at Consumer Finance and Security Capital Group at Commercial Finance.

Upon closing an acquisition, we estimate the fair values of assets and liabilities acquired and consolidate the acquisition as quickly as possible. Given the time it takes to obtain pertinent information to finalize the acquired company's balance sheet (frequently with implications for the price of the acquisition), then to adjust the acquired company's accounting policies, procedures, books and records to our standards, it is often several quarters before we are able to finalize those initial fair value estimates. Accordingly, it is not uncommon for our initial estimates to be subsequently revised.

INTANGIBLE ASSETS SUBJECT TO AMORTIZATION

December 31 (In millions)	Gross carrying amount	Accumulated amortization	Net
2004			
Patents, licenses and other	\$ 6,366	\$(1,131)	\$ 5,235
Capitalized software	5,466	(2,814)	2,652
PVFP	3,382	(1,956)	1,426
Servicing assets and all other	4,739	(4,037)	702
Total	\$19,953	\$(9,938)	\$10,015
2003			
Patents, licenses and other	\$ 2,685	\$(806)	\$ 1,879
Capitalized software	4,911	(2,433)	2,478
PVFP	3,348	(1,786)	1,562
Servicing assets and all other	4,634	(3,809)	825
Total	\$15,578	\$(8,834)	\$ 6,744

Indefinite-lived intangible assets were \$2,034 million and \$512 million at December 31, 2004 and 2003, respectively, and principally comprised trademarks, tradenames and U.S. Federal Communications Commission licenses.

Consolidated amortization expense related to intangible assets, subject to amortization, for 2004 and 2003 was \$1,656 million and \$1,497 million, respectively.

Changes in PVFP balances follow.

(In millions)	2004	2003
Balance at January 1	\$1,562	\$2,457
Acquisitions	—	46
Dispositions	—	(658)
Accrued interest ^(a)	90	113
Amortization	(221)	(351)
Other	(5)	(45)
Balance at December 31	\$1,426	\$1,562

(a) Interest was accrued at a rate of 6.3% and 4.3% for 2004 and 2003, respectively.

Recoverability of PVFP is evaluated periodically by comparing the current estimate of expected future gross profits with the unamortized asset balance. If such comparison indicates that the expected gross profits will not be sufficient to recover PVFP, the difference is charged to expense. No such expense was recorded in 2004 or 2003.

Amortization expense for PVFP in future periods will be affected by acquisitions, realized capital gains/losses or other factors affecting the ultimate amount of gross profits realized from certain lines of business. Similarly, future amortization expense for other intangibles will depend on acquisition activity and other business transactions.

The estimated percentage of the December 31, 2004, net PVFP balance to be amortized over each of the next five years follows.

2005	2006	2007	2008	2009
8.9%	8.3%	7.2%	6.3%	5.3%

SIGNIFICANT ACQUISITIONS AND COMBINATIONS

In April 2004, we acquired all of the outstanding common shares of Amersham plc, a world leader in medical diagnostics and life sciences. The total purchase price of \$11,279 million included 341.7 million shares of GE common stock valued at \$10,674 million, cash of \$150 million and assumed debt of \$455 million. Preliminary allocation of the purchase price assigned \$8,217 million to goodwill, \$2,704 million to identified intangible assets that will be amortized over periods ranging from five to 25 years, \$158 million to acquired inventories and \$99 million to acquired in-process research and development projects charged to operations in the second quarter of 2004.

In May 2004, we completed the combination of NBC with VUE and certain related assets to create one of the world's leading media companies, NBC Universal, Inc. (NBC Universal). Twenty percent of NBC Universal's shares were issued to a subsidiary of Vivendi Universal (VU) as partial consideration for VU's interest in VUE and the related assets. NBC's acquired interest in VUE and the related assets was valued at \$14,429 million, for which we exchanged the NBC Universal shares, paid cash to certain VUE interest holders of \$3,650 million and assumed debt of \$2,498 million. In March 2004, we issued 119.4 million shares of our common stock for net cash proceeds of \$3,765 million, and we used most of those proceeds to fund the \$3,650 million we paid in this transaction. The preliminary allocation of our acquired interest assigned \$9,944 million to goodwill, \$1,516 million to indefinite-lived intangibles and \$310 million to identified intangible assets that will be amortized over periods ranging from two to 20 years. As a result of issuing the NBC Universal shares, we essentially disposed of 20% of NBC, and therefore recorded an increase in shareowners' equity of \$2,153 million, net of taxes of \$1,439 million. The holders of 5.44% of the VUE common interests did not participate in the transaction and remained a minority interest holder of VUE at December 31, 2004. This minority interest holder also owns a \$758 million preferred interest in VUE that is mandatorily redeemable for cash in 2022. The present value of that obligation is reported in the caption "All other liabilities" in the Statement of Financial Position, while U.S. Treasury securities held by VUE in approximately the same amount and designated to repay this obligation are included in the caption "All other assets" in the Statement of Financial Position.

Note 17

All Other Assets

December 31 (In millions)	2004	2003
GE		
Investments		
Associated companies ^(a)	\$ 1,830	\$ 1,348
Other ^(b)	3,974	1,228
	5,804	2,576
Prepaid pension asset—principal plans	17,629	17,038
Contract costs and estimated earnings	4,089	3,634
Film and television costs	3,441	1,582
Long-term receivables, including notes	2,821	1,932
Derivative instruments ^(c)	628	454
Other	3,711	3,232
	38,123	30,448
GECS		
Investments		
Associated companies ^(a)	11,048	13,218
Real estate ^(d)	19,190	15,573
Assets held for sale ^(e)	6,501	1,856
Securities lending transactions	3,202	3,026
Other ^(f)	6,699	6,263
	46,640	39,936
Separate accounts	8,959	8,316
Deferred acquisition costs	8,180	7,879
Derivative instruments ^(c)	3,062	1,913
Other	6,108	5,092
	72,949	63,136
ELIMINATIONS	(1,138)	(963)
Total ^(g)	\$109,934	\$92,621

(a) Included advances to associated companies, which are non-controlled, non-consolidated equity investments.

(b) Included cost method investments of \$1,780 million in 2004, of which the fair value and unrealized loss of those in a continuous loss position for less than 12 months was \$373 million and \$34 million, respectively. Cost method investments were each evaluated for impairment. Also included available-for-sale securities of \$1,200 million in 2004, of which the unrealized loss of those in a continuous unrealized loss position for less than 12 months was \$111 million.

(c) Amounts are stated at fair value in accordance with SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. We discuss types of derivative instruments and how we use them in note 28.

(d) GECS investment in real estate consists principally of two categories: real estate held for investment and equity method investments. Both categories contained a wide range of properties including the following at December 31, 2004: office buildings (46%), apartment buildings (16%), self storage facilities (11%), retail facilities (10%), industrial properties (6%), parking facilities (5%), franchise properties (3%) and other (3%). At December 31, 2004, investments were located in Europe (45%), North America (41%) and Asia (14%).

(e) These assets held for sale were accounted for at the lower of carrying amount or each asset's estimated fair value less costs to sell.

(f) Included cost method investments of \$2,626 million in 2004, of which the fair value and unrealized loss of those in a continuous loss position for less than 12 months was \$111 million and \$31 million, respectively. The fair value and unrealized loss of those in a continuous loss position for 12 months or more was \$56 million and \$42 million, respectively. Cost method investments were each evaluated for impairment.

(g) Included \$2,408 million in 2004 and \$2,352 million in 2003 related to consolidated, liquidating securitization entities.

Separate accounts represent investments controlled by policyholders and are associated with identical amounts reported as insurance liabilities in note 19.

Note 18**Borrowings****SHORT-TERM BORROWINGS**

December 31 (Dollars in millions)	2004		2003	
	Amount	Average rate ^(a)	Amount	Average rate ^(a)
GE				
Commercial paper				
U.S.	\$ —	—%	\$ 1,149	1.08%
Non-U.S.	131	2.52	340	2.72
Payable to banks, principally non-U.S.	272	3.34	388	4.89
Current portion of long-term debt	2,698	2.33	392	2.58
Other	308		286	
	3,409		2,555	
GECS				
Commercial paper				
U.S.				
Unsecured	62,694	2.24	65,536	1.11
Asset-backed ^(b)	13,842	2.17	21,998	1.12
Non-U.S.	20,835	2.96	15,062	2.93
Current portion of long-term debt ^(c)	37,582	4.10	38,367	3.30
Other	19,890		14,505	
	154,843		155,468	
ELIMINATIONS				
	(506)		(626)	
Total	\$157,746		\$157,397	

(a) Based on year-end balances and year-end local currency interest rates. Current portion of long-term debt included the effects of interest rate and currency swaps, if any, directly associated with the original debt issuance.

(b) Entirely obligations of consolidated, liquidating securitization entities. See note 29.

(c) Included short-term borrowings by consolidated, liquidating securitization entities of \$756 million and \$482 million at December 31, 2004 and 2003, respectively.

LONG-TERM BORROWINGS

December 31 (Dollars in millions)	2004 Average rate ^(a)	Maturities	2004	2003
GE				
Senior notes	5.00%	2013	\$ 4,984	\$ 7,483
Industrial development/ pollution control bonds	2.28	2006–2027	307	331
Payable to banks, principally U.S. ^(b)	3.42	2006–2018	1,927	212
Other ^(c)			407	362
			7,625	8,388
GECS				
Senior notes				
Unsecured	3.74	2006–2055	180,183	149,049
Asset-backed ^(d)	4.15	2006–2035	10,939	1,948
Extendible notes ^(e)	2.40	2007–2009	14,258	12,591
Subordinated notes ^(f)	7.44	2006–2035	1,119	1,262
			206,499	164,850
ELIMINATIONS			(963)	(924)
Total			\$213,161	\$172,314

(a) Based on year-end balances and year-end local currency interest rates, including the effects of interest rate and currency swaps, if any, directly associated with the original debt issuance.

(b) Included \$1,670 million of debt resulting from the VUE transaction.

(c) A variety of obligations having various interest rates and maturities, including certain borrowings by parent operating components and affiliates.

(d) Asset-backed senior notes are all issued by consolidated, liquidating securitization entities as discussed in note 29. The amount related to Australian Financial Investments Group (AFIG), a 2004 acquisition, was \$9,769 million.

(e) Included obligations of consolidated, liquidating securitization entities in the amount of \$267 million and \$362 million at December 31, 2004 and 2003, respectively.

(f) At year-end 2004 and 2003, \$1.0 billion of subordinated notes were guaranteed by GE.

Our borrowings are addressed below from the perspectives of liquidity, interest rate and currency risk management. Additional information about borrowings and associated swaps can be found in note 28.

LIQUIDITY is affected by debt maturities and our ability to repay or refinance such debt. Long-term debt maturities over the next five years follow.

(In millions)	2005	2006	2007	2008	2009
GE	\$ 2,698	\$ 150	\$ 1,858	\$ 26	\$ 20
GECS	37,582 ^(a)	54,012 ^(b)	29,083	20,895	26,729

(a) Floating rate extendible notes of \$244 million are due in 2005, but are extendible at the investors' option to a final maturity in 2008. Floating rate notes of \$482 million contain put options with exercise dates in 2005, but have final maturity dates greater than 2010.

(b) Floating rate extendible notes of \$14.0 billion are due in 2006, but are extendible at the investors' option to a final maturity in 2007 (\$12.0 billion) and 2009 (\$2.0 billion).

Committed credit lines totaling \$57.3 billion had been extended to us by 83 banks at year-end 2004. Included in this amount was \$47.4 billion provided directly to GECS and \$9.9 billion provided by 21 banks to GE, to which GECS also has access. The GECS lines include \$19.2 billion of revolving credit agreements under which we can borrow funds for periods exceeding one year. The remaining \$38.1 billion are 364-day lines of which \$37.6 billion contain a

term-out feature that allows GECS to extend the borrowings for one year from the date of expiration of the lending agreement. We pay banks for credit facilities, but compensation amounts were insignificant in each of the past three years.

INTEREST RATE AND CURRENCY RISK is managed through the direct issuance of debt or use of derivatives. We take positions in view of anticipated behavior of assets, including prepayment behavior. We use a variety of instruments, including interest rate and currency swaps and currency forwards, to achieve our interest rate objectives. The following table shows GECS borrowing positions considering the effects of currency and interest rate swaps.

GECS EFFECTIVE BORROWINGS (INCLUDING SWAPS)

December 31 (Dollars in millions)	2004		2003
	Amount	Average rate	Amount
Short-term ^(a)	\$ 91,253	2.52%	\$ 88,499
Long-term (including current portion)			
Fixed rate ^(b)	\$148,344	4.57%	\$121,677
Floating rate	121,745	3.02	110,142
Total long-term	\$270,089		\$231,819

(a) Included commercial paper and other short-term debt.

(b) Included fixed-rate borrowings and \$23.6 billion (\$26.5 billion in 2003) notional long-term interest rate swaps that effectively convert the floating-rate nature of short-term borrowings to fixed rates of interest.

At December 31, 2004, interest rate swap maturities ranged from 2005 to 2048, including swap maturities for hedges of commercial paper that ranged from 2005 to 2024. The use of commercial paper swaps allows us to match our actual asset profile more efficiently and provides more flexibility as it does not depend on investor demand for particular maturities.

Note 19**GECS Insurance Liabilities, Reserves and Annuity Benefits**

December 31 (In millions)	2004	2003
Investment contracts and universal life benefits	\$ 63,136	\$ 63,787
Life insurance benefits ^(a)	31,660	28,040
Unpaid claims and claims adjustment expenses ^(b)	30,288	29,176
Unearned premiums	6,859	7,109
Separate accounts (see note 17)	8,959	8,316
Total	\$140,902	\$136,428

(a) Life insurance benefits are accounted for mainly by a net-level-premium method using estimated yields generally ranging from 2.0% to 8.5% in 2004 and 1.2% to 8.5% in 2003.

(b) Principally property and casualty reserves amounting to \$25.0 billion and \$24.9 billion at December 31, 2004 and 2003, respectively. Included amounts for both reported and IBNR claims, reduced by anticipated salvage and subrogation recoveries. Estimates of liabilities are reviewed and updated continually, with changes in estimated losses reflected in operations.

When insurance affiliates cede insurance to third parties, they are not relieved of their primary obligation to policyholders. Losses on ceded risks give rise to claims for recovery; we establish allowances for probable losses on such receivables from reinsurers as required.

We recognize reinsurance recoveries as a reduction of the Statement of Earnings caption "Insurance losses and policyholder and annuity benefits." Reinsurance recoveries were \$1,369 million, \$1,781 million and \$2,234 million for the years ended December 31, 2004, 2003 and 2002, respectively.

The insurance liability for unpaid claims and claims adjustment expenses related to policies that may cover environmental and asbestos exposures is based on known facts and an assessment of applicable law and coverage litigation. Liabilities are recognized for both known and unasserted claims (including the cost of related litigation) when sufficient information has been developed to indicate that a claim has been incurred and a range of potential losses can be reasonably estimated. Developed case law and adequate claim history do not exist for certain claims, principally because of significant uncertainties as to both the level of ultimate losses that will occur and what portion, if any, will be deemed to be insured amounts.

A summary of activity affecting unpaid claims and claims adjustment expenses, principally in property and casualty lines, follows.

(In millions)	2004	2003	2002
Balance at January 1—gross	\$29,176	\$30,571	\$27,233
Less reinsurance recoverables	(8,313)	(9,646)	(9,400)
Balance at January 1—net	20,863	20,925	17,833
Claims and expenses incurred			
Current year	8,641	9,002	9,505
Prior years	1,098	740	3,188
Claims and expenses paid			
Current year	(1,985)	(2,565)	(3,173)
Prior years	(6,967)	(7,079)	(6,918)
Other ^(a)	1,110	(160)	490
Balance at December 31—net	22,760	20,863	20,925
Add reinsurance recoverables	7,528	8,313	9,646
Balance at December 31—gross	\$30,288	\$29,176	\$30,571

(a) Included \$633 million in 2004 related to the adoption of FIN 46R.

Claims and expenses incurred—prior years represents additional losses (adverse development) recognized in any year for loss events that occurred before the beginning of that year. Adverse development, which amounted to 5%, 4% and 18% of beginning of year loss reserves in 2004, 2003 and 2002, respectively, was primarily encountered at GE Insurance Solutions.

Reported claims activity at GE Insurance Solutions related to prior-year loss events, particularly for liability-related exposures underwritten in 1997 through 2001, has continued to develop adversely to previous expectations. More specifically, reported claims activity for these underwriting years accelerated dramatically in 2002, affecting much of our liability-related product exposures, including hospital medical malpractice, product liability, professional liability, umbrella liability, workers compensation, individual liability and asbestos. In response to these data, we adjusted our best estimate of ultimate losses to be higher in the range of what were viewed as reasonably possible loss scenarios at that time, increasing recorded reserves by \$2.5 billion in the fourth quarter of 2002, for a total of \$3.5 billion adverse development at GE Insurance Solutions for the year.

For a majority of our lines of business, reported claims activity in 2003 was reasonably close to expected amounts. However, for certain lines—principally medical malpractice, product liability and certain director and officer related coverage—the reported claims volumes exceeded our revised loss expectations. Accordingly, we increased our loss reserves to the newly-indicated ultimate levels, recording adverse development of \$0.9 billion in 2003.

In 2004, as part of our comprehensive annual assessment of recorded claim-related liabilities, we observed that reported claims activity in certain product lines, substantially related to the 1997 through 2001 underwriting years, continued to exceed previously established loss expectations. The more significant lines of business affected were workers compensation, hospital and professional liability, and asbestos and environmental exposures. Incorporating this updated information into our reserving process led to an increase in ultimate loss projections and corresponding reserve levels by \$1.1 billion for the year. We will continue to monitor reported claims activity for all lines of business in the future and take necessary reserve actions—either to increase or decrease reserves—as our estimates continue to mature.

Our mortgage insurance business experienced favorable development during the three-year period, primarily reflecting continued strength in certain real estate markets and the success of our loss containment initiatives.

Financial guarantees and credit life risk of insurance affiliates are summarized below.

December 31 (In millions)	2004	2003
Guarantees, principally on municipal bonds	\$ 1,190	\$ 1,190
Mortgage insurance risk in force	194,600	146,627
Credit life insurance risk in force	29,906	25,728
Less reinsurance	(2,397)	(2,207)
Total	\$223,299	\$171,338

Certain insurance affiliates offer insurance guaranteeing the timely payment of scheduled principal and interest on municipal bonds. Other insurance affiliates provide insurance to protect residential mortgage lenders from severe financial loss caused by the non-payment of loans and issue credit life insurance designed to pay the balance due on a loan if the borrower dies before the loan is repaid. As part of their overall risk management process, insurance affiliates cede to third parties a portion of their risk associated with these guarantees. In doing so, they are not relieved of their primary obligation to policyholders.

Note 20

All Other Liabilities

This caption includes year-end 2004 and 2003 accruals for non-current compensation and benefits of \$12,606 million and \$10,380 million, respectively, and asset retirement obligations amounting to \$791 million and \$374 million, respectively. During 2004, we recorded asset retirement obligations of \$381 million as a result of our acquisition of Amersham, accretion expense of \$26 million and other adjustments of \$10 million. Also included in this caption are amounts for deferred income, derivative instruments, interest on tax liabilities, product warranties, mandatorily redeemable preferred interest in VUE (see note 16), accrued participations and residuals and a variety of sundry items.

We are involved in numerous remediation actions to clean up hazardous wastes as required by federal and state laws. Liabilities for remediation costs at each site are based on our best estimate of undiscounted future costs, excluding possible insurance recoveries. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low end of such range. Uncertainties about the status of laws, regulations, technology and information related to individual sites make it difficult to develop a meaningful estimate of the reasonably possible aggregate environmental remediation exposure. However, even in the unlikely event that remediation costs amounted to the high end of the range of costs for each site, the resulting additional liability would not be material to our financial position, results of operations or liquidity.

Note 21

Deferred Income Taxes

Aggregate deferred income tax amounts are summarized below.

December 31 (In millions)	2004	2003
ASSETS		
GE	\$ 9,464	\$ 7,594
GECS	8,507	9,948
	17,971	17,542
LIABILITIES		
GE	13,080	9,505
GECS	19,305	20,684
	32,385	30,189
Net deferred income tax liability	\$14,414	\$12,647

Principal components of our net liability (asset) representing deferred income tax balances are as follows:

December 31 (In millions)	2004	2003
GE		
Provisions for expenses ^(a)	\$ (5,833)	\$ (4,723)
Retiree insurance plans	(1,346)	(1,206)
Prepaid pension asset—principal plans	6,170	5,963
Depreciation	2,029	1,714
Other—net	2,596	163
	3,616	1,911
GECS		
Financing leases	9,767	10,250
Operating leases	3,716	3,523
Deferred acquisition costs	1,567	1,501
Allowance for losses	(2,208)	(2,036)
Insurance reserves	(1,184)	(1,109)
Cash flow hedges	(909)	(1,029)
AMT credit carryforward	(203)	(351)
Other—net	252	(13)
	10,798	10,736
Net deferred income tax liability	\$14,414	\$12,647

(a) Represents the tax effects of temporary differences related to expense accruals for a wide variety of items, such as employee compensation and benefits, interest on tax liabilities, product warranties and other sundry items that are not currently deductible.

Note 22

Minority Interest in Equity of Consolidated Affiliates

Minority interest in equity of consolidated affiliates includes common shares in consolidated affiliates and preferred stock issued by GE Capital and by affiliates of GE Capital. The balance is summarized as follows:

December 31 (In millions)	2004	2003
Minority interest in consolidated affiliates		
NBC Universal ^(a)	\$ 6,529	\$ —
Genworth Financial, Inc. ^(b)	3,778	—
Others ^(c)	2,158	1,753
Minority interest in preferred stock ^(d)		
GE Capital	2,600	2,600
GE Capital affiliates	1,318	1,841
Total	\$16,383	\$6,194

(a) Resulted from the combination of NBC and VUE. See note 16.

(b) Resulted from the sale of approximately 30% of the common shares of our previously wholly-owned subsidiary.

(c) Included minority interest in consolidated, liquidating securitization entities, partnerships and common shares of consolidated affiliates.

(d) The preferred stock primarily pays cumulative dividends at variable rates. Dividend rates in local currency on the preferred stock ranged from 0.99% to 5.46% during 2004 and 0.91% to 5.65% during 2003.

Our minority interest in VUE reflects \$1,582 million for shares of cumulative redeemable preferred interests (VUE preferred) held by IAC/InterActiveCorp (IAC) at December 31, 2004. VUE preferred pays dividends of 5%, with cash of 3.6% and the remaining 1.4% in kind. VUE holds IAC securities, with a fair value of \$1,564 million, that may be used to redeem the VUE preferred in 2022. After redemption, any remaining IAC securities are for the exclusive benefit of VU. We have designated this entire position as a hedge of the disposition of the IAC shares.

Note 23

Restricted Net Assets of GECS Affiliates

Certain GECS consolidated affiliates are restricted from remitting certain funds to GECS in the form of dividends or loans by a variety of regulations, the purpose of which is to protect affected insurance policyholders, depositors or investors. At December 31, 2004 and 2003, net assets of regulated GECS affiliates amounted to \$60.4 billion and \$46.7 billion, respectively, of which \$41.4 billion and \$37.0 billion, respectively, was restricted.

At December 31, 2004 and 2003, the aggregate statutory capital and surplus of the insurance businesses totaled \$19.4 billion and \$15.9 billion, respectively. Accounting practices prescribed by statutory authorities are used in preparing statutory statements.

Note 24**Shareowners' Equity**

(In millions)	2004	2003	2002
TOTAL EQUITY			
Balance at December 31	\$ 110,284	\$ 79,180	\$ 63,706
COMMON STOCK ISSUED	\$ 669	\$ 669	\$ 669
ACCUMULATED NONOWNER CHANGES			
OTHER THAN EARNINGS			
Balance at January 1	\$ 2,815	\$ (3,177)	\$ (4,323)
Investment securities—net of deferred taxes of \$503, \$590 and \$847	677	960	1,630
Currency translation adjustments—net of deferred taxes of \$(1,318), \$(1,447) and \$20	3,942	5,119	1,000
Cash flow hedges—net of deferred taxes of \$(42), \$(448) and \$(822)	10	(803)	(2,070)
Minimum pension liabilities—net of deferred taxes of \$(184), \$(85) and \$(42)	(421)	(161)	(75)
Reclassification adjustments			
Investment securities—net of deferred taxes of \$(142), \$(135) and \$(135)	(265)	(250)	(252)
Currency translation adjustments	—	4	—
Cash flow hedges—net of deferred taxes of \$318, \$643 and \$207	559	1,123	913
Balance at December 31	\$ 7,317	\$ 2,815	\$ (3,177)
OTHER CAPITAL			
Balance at January 1	\$ 17,497	\$ 17,288	\$ 16,693
Gains on treasury stock dispositions and other ^(a)	4,615	209	595
Issuance of subsidiary shares ^{(a)(b)}	2,153	—	—
Balance at December 31	\$ 24,265	\$ 17,497	\$ 17,288
RETAINED EARNINGS			
Balance at January 1	\$ 82,796	\$ 75,553	\$ 68,701
Net earnings	16,593	15,002	14,118
Dividends ^(a)	(8,594)	(7,759)	(7,266)
Balance at December 31	\$ 90,795	\$ 82,796	\$ 75,553
COMMON STOCK HELD IN TREASURY			
Balance at January 1	\$ 24,597	\$ 26,627	\$ 26,916
Purchases ^(a)	1,892	1,177	2,851
Dispositions ^{(a)(c)}	(13,727)	(3,207)	(3,140)
Balance at December 31	\$ 12,762	\$ 24,597	\$ 26,627

(a) Total dividends and other transactions with shareowners increased equity by \$10,009 million in 2004 and reduced equity by \$5,520 million and \$6,382 million in 2003 and 2002, respectively.

(b) Related to the issuance of 20% of NBC Universal's shares to a subsidiary of Vivendi Universal as part of the transaction described in note 16.

(c) In 2004, included 341.7 million shares valued at \$10,674 million issued in the Amersham acquisition, and 119.4 million shares valued at \$3,765 million sold to partially fund the NBC and VUE combination.

Under the share repurchase program initiated in 1994, we repurchased 6 million shares for a total of \$0.2 billion during 2004. As of December 31, 2004, a total of 1,109 million shares, having an aggregate cost of approximately \$23 billion, had been purchased and the program was closed out. In December 2004, our Board of Directors authorized a new three-year (2005–2007), \$15 billion share repurchase program.

Common shares issued and outstanding are summarized in the following table.

SHARES OF GE COMMON STOCK

December 31 (In thousands)	2004	2003	2002
Issued	11,145,212	11,145,212	11,145,212
In treasury	(558,854)	(1,082,092)	(1,175,318)
Outstanding	10,586,358	10,063,120	9,969,894

GE has 50 million authorized shares of preferred stock (\$1.00 par value), but has not issued any such shares as of December 31, 2004.

The effects of translating to U.S. dollars the financial statements of non-U.S. affiliates whose functional currency is the local currency are included in shareowners' equity. Asset and liability accounts are translated at year-end exchange rates, while revenues and expenses are translated at average rates for the period.

Note 25**Other Stock-Related Information**

We grant stock options, restricted stock units (RSUs) and performance share units (PSUs) to employees under the 1990 Long-Term Incentive Plan as described in our current Proxy Statement. In addition, we grant options and RSUs in limited circumstances to consultants, advisors and independent contractors (primarily non-employee talent at NBC Universal) under a plan approved by our Board of Directors in 1997 (the consultants' plan). There are outstanding grants under two separate shareowner approved option plans for non-employee directors; the last grant was made in 2002 and no further grants are expected to be made under these plans. Requirements for stock option shares may be met from either unissued or treasury shares. RSUs give the recipients the right to receive shares of our stock upon the lapse of their related restrictions. Restrictions on RSUs lapse in various increments and at various dates, beginning after three years from date of grant through grantee retirement. Although the plan permits us to issue RSUs settleable in cash, we have only issued RSUs settleable in shares of our stock. PSUs give recipients the right to receive shares of our stock upon the achievement of certain performance targets.

We measure the total cost of each stock option grant at the date of grant using a market-based option trading model. We recognize the cost of each stock option, RSU and PSU on a straight-line basis over its vesting period.

Stock options expire 10 years from the date they are granted and vest over service periods that range from one to five years.

All grants of GE options under all plans must be approved by the Management Development and Compensation Committee, which comprises entirely outside directors.

STOCK OPTION ACTIVITY

(Shares in thousands)	Shares subject to option	Average per share	
		Exercise price	Market price
Balance at December 31, 2001	354,453	\$25.08	\$40.08
Options granted	46,928	27.37	27.37
Options exercised	(29,146)	9.45	31.86
Options terminated	(10,177)	38.14	(a)
Balance at December 31, 2002	362,058	26.26	24.35
Options granted	8,261	31.19	31.19
Options exercised	(43,829)	9.45	27.59
Options terminated	(10,643)	38.98	(a)
Balance at December 31, 2003	315,847	28.30	30.98
Options granted ^(b)	27,141	32.26	32.26
Options exercised	(43,110)	10.54	32.68
Options terminated	(13,409)	36.91	(a)
Balance at December 31, 2004	286,469	\$30.94	\$36.50

(a) Not applicable.

(b) Included approximately 3.5 million options that replaced canceled SARs and have identical terms.

STOCK COMPENSATION PLANS

December 31, 2004 (Shares in thousands)	Securities to be issued upon exercise	Weighted average exercise price	Securities available for future issuance
APPROVED BY SHAREOWNERS			
Options	285,152	\$30.97	(a)
RSUs	30,715	(b)	(a)
PSUs	700	(b)	(a)
NOT APPROVED BY SHAREOWNERS			
Options	1,317	24.64	(c)
RSUs	3,036	(b)	(c)
Total ^(d)	320,920	\$30.94	130,385

(a) Under the 1990 Long-Term Incentive Plan, 0.95% of issued common stock (including treasury shares) as of the first day of each calendar year during which the Plan is in effect becomes available for awards in that calendar year. Total shares available for future issuance under the 1990 Long-Term Incentive Plan amounted to 105.9 million shares.

(b) Not applicable.

(c) Total shares available for future issuance under the consultants' plan amount to 24.5 million shares.

(d) In connection with various acquisitions, there are an additional 1.8 million options outstanding, with a weighted average exercise price of \$19.98.

Outstanding options expire on various dates through December 9, 2014.

The following table summarizes information about stock options outstanding at December 31, 2004.

STOCK OPTIONS OUTSTANDING

Exercise price range	Outstanding			Exercisable	
	Shares	Average life ^(a)	Average exercise price	Shares	Average exercise price
\$ 7.83–14.73	52,457	1.1	\$12.11	52,457	\$12.11
15.83–27.05	76,738	5.4	25.59	54,171	24.99
27.20–35.48	52,494	8.4	33.05	12,494	34.06
35.79–42.33	56,127	4.8	39.48	55,482	39.50
43.17–57.31	48,653	6.3	47.56	29,045	47.56
Total	286,469	5.2	\$30.94	203,649	\$29.40

At year-end 2003, options with an average exercise price of \$24.63 were exercisable on 214 million shares; at year-end 2002, options with an average exercise price of \$18.75 were exercisable on 214 million shares.

(a) Average contractual life remaining in years.

OPTION VALUE INFORMATION^(a)

	2004	2003	2002
Fair value per option (in dollars) ^(b)	\$8.33	\$9.44	\$7.73
Valuation assumptions			
Expected option term (in years)	6.0	6.0	6.0
Expected volatility	27.7%	34.7%	33.7%
Expected dividend yield	2.5	2.5	2.7
Risk-free interest rate	4.0	3.5	3.5

(a) Weighted averages of option grants during each period.

(b) Estimated using Black-Scholes option pricing model.

Note 26**Supplemental Cash Flows Information**

Changes in operating assets and liabilities are net of acquisitions and dispositions of principal businesses.

"Payments for principal businesses purchased" in the Statement of Cash Flows is net of cash acquired and includes debt assumed and immediately repaid in acquisitions.

"All other operating activities" in the Statement of Cash Flows consists primarily of adjustments to current and noncurrent accruals and deferrals of costs and expenses, adjustments for gains and losses on assets, increases and decreases in assets held for sale and adjustments to assets.

Non-cash transactions include the following: in 2004, the issuance of GE common stock valued at \$10,674 million in connection with the acquisition of Amersham and the issuance of NBC Universal shares valued at \$5,845 million in connection with the combination of NBC and VUE; in 2003, the acquisition of Osmonics, Inc. for GE common stock valued at \$240 million; and in 2002, the acquisition of Interlogix, Inc. for GE common stock valued at \$395 million and the acquisition of Bravo for GE common stock and other investment securities valued at \$335 million and \$886 million, respectively.

Certain supplemental information related to GE and GECS cash flows is shown below.

For the years ended December 31 (In millions)	2004	2003	2002
GE			
NET DISPOSITIONS (PURCHASES) OF GE SHARES FOR TREASURY			
Open market purchases under share repurchase program	\$ (203)	\$ (340)	\$ (1,981)
Other purchases	(1,689)	(837)	(870)
Dispositions	5,885	1,903	1,866
	\$ 3,993	\$ 726	\$ (985)
GECS			
ALL OTHER OPERATING ACTIVITIES			
Proceeds from assets held for sale	\$ 84	\$ 1,168	\$ 25
Amortization of intangible assets	800	947	1,558
Realized gains on sale of investment securities	(407)	(408)	(301)
Other	117	508	(1,838)
	\$ 594	\$ 2,215	\$ (556)
NET INCREASE IN GECS FINANCING RECEIVABLES			
Increase in loans to customers	\$ (342,357)	\$ (263,815)	\$ (209,431)
Principal collections from customers—loans	305,846	238,518	185,329
Investment in equipment for financing leases	(22,649)	(22,825)	(19,828)
Principal collections from customers—financing leases	19,715	18,909	15,305
Net change in credit card receivables	(7,322)	(11,483)	(19,108)
Sales of financing receivables	31,487	36,009	29,651
	\$ (15,280)	\$ (4,687)	\$ (18,082)
ALL OTHER INVESTING ACTIVITIES			
Purchases of securities by insurance and annuity businesses	\$ (34,164)	\$ (50,127)	\$ (64,721)
Dispositions and maturities of securities by insurance and annuity businesses	32,668	43,720	54,423
Proceeds from principal business dispositions	472	3,337	—
Other	1,467	3,277	(4,936)
	\$ 443	\$ 207	\$ (15,234)
NEWLY ISSUED DEBT HAVING MATURITIES LONGER THAN 90 DAYS			
Short-term (91 to 365 days)	\$ 1,504	\$ 1,576	\$ 1,796
Long-term (longer than one year)	59,198	57,572	93,026
Proceeds—nonrecourse, leveraged lease	562	791	1,222
	\$ 61,264	\$ 59,939	\$ 96,044
REPAYMENTS AND OTHER REDUCTIONS OF DEBT HAVING MATURITIES LONGER THAN 90 DAYS			
Short-term (91 to 365 days)	\$ (41,443)	\$ (38,756)	\$ (32,950)
Long-term (longer than one year)	(3,443)	(3,664)	(5,936)
Principal payments—nonrecourse, leveraged lease	(652)	(782)	(339)
	\$ (45,538)	\$ (43,202)	\$ (39,225)
ALL OTHER FINANCING ACTIVITIES			
Proceeds from sales of investment contracts	\$ 18,103	\$ 9,319	\$ 7,894
Redemption of investment contracts	(21,048)	(9,556)	(6,834)
Capital contributions from GE	—	—	6,300
Cash received upon assumption of insurance liabilities	—	—	2,813
	\$ (2,945)	\$ (237)	\$ 10,173

Note 27**Operating Segments****REVENUES**

(In millions)	Total revenues			Intersegment revenues			External revenues		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Advanced Materials	\$ 8,290	\$ 7,078	\$ 6,963	\$ 45	\$ 31	\$ 25	\$ 8,245	\$ 7,047	\$ 6,938
Commercial Finance	23,489	20,813	19,592	279	195	128	23,210	20,618	19,464
Consumer Finance	15,734	12,845	10,266	33	23	12	15,701	12,822	10,254
Consumer & Industrial	13,767	12,843	12,887	476	290	347	13,291	12,553	12,540
Energy	17,348	19,082	23,633	191	213	287	17,157	18,869	23,346
Equipment & Other Services	8,483	4,427	5,545	(354)	(241)	(142)	8,837	4,668	5,687
Healthcare	13,456	10,198	8,955	—	2	2	13,456	10,196	8,953
Infrastructure	3,447	3,078	1,901	95	85	84	3,352	2,993	1,817
Insurance	23,070	26,194	23,296	42	23	2	23,028	26,171	23,294
NBC Universal	12,886	6,871	7,149	—	—	—	12,886	6,871	7,149
Transportation	15,562	13,515	13,685	692	772	1,044	14,870	12,743	12,641
Corporate items and eliminations	(3,169)	(2,757)	(1,662)	(1,499)	(1,393)	(1,789)	(1,670)	(1,364)	127
Total	\$152,363	\$134,187	\$132,210	\$ —	\$ —	\$ —	\$152,363	\$134,187	\$132,210

Revenues of GE businesses include income from sales of goods and services to customers and other income.

Sales from one component to another generally are priced at equivalent commercial selling prices.

Revenues originating from operations based in the United States were \$95,467 million, \$84,795 million and \$90,954 million in 2004, 2003 and 2002, respectively. Revenues originating from operations

based outside the United States were \$56,896 million, \$49,392 million and \$41,256 million in 2004, 2003 and 2002, respectively.

(In millions)	Assets			Property, plant and equipment additions ^(a)			Depreciation and amortization		
	At December 31			For the years ended December 31			For the years ended December 31		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Advanced Materials	\$ 12,318	\$ 12,359	\$ 11,372	\$ 638	\$ 797	\$ 703	\$ 774	\$ 655	\$ 632
Commercial Finance	232,123	214,125	202,571	7,582	7,405	8,999	3,827	3,466	3,133
Consumer Finance	151,255	106,530	76,965	217	191	221	334	276	232
Consumer & Industrial	6,945	7,526	8,387	267	318	449	512	560	516
Energy	18,264	17,121	16,372	402	514	734	573	555	517
Equipment & Other Services	55,744	63,989	27,995	3,215	1,148	2,417	1,995	1,126	1,034
Healthcare	24,871	10,816	7,573	1,590	289	170	565	278	247
Infrastructure	7,155	5,977	4,998	127	177	388	168	120	113
Insurance	179,205	170,044	182,297	23	35	71	411	583	469
NBC Universal	34,206	11,619	10,401	1,189	121	252	273	117	109
Transportation	13,676	13,285	12,599	436	595	348	435	412	377
Corporate items and eliminations	14,568	14,254	13,714	152	179	121	93	126	165
Total	\$750,330	\$647,645	\$575,244	\$15,838	\$11,769	\$14,873	\$9,960	\$8,274	\$7,544

(a) Additions to property, plant and equipment include amounts relating to principal businesses purchased.

Property, plant and equipment associated with operations based in the United States were \$25,452 million, \$20,828 million and \$19,808 million at year-end 2004, 2003 and 2002, respectively. Property, plant and equipment associated with operations based outside the United States were \$37,882 million, \$32,560 million and \$29,265 million at year-end 2004, 2003 and 2002, respectively.

Basis for presentation

Our operating businesses are organized based on the nature of products and services provided. Segment accounting policies are the same as described in note 1.

A description of our operating segments can be found on pages 110–111 and details of segment profit by operating segment can be found on page 53 of this report.

Note 28**Derivatives and Other Financial Instruments****Derivatives and hedging**

Exchange rate and interest rate risks are managed with a variety of straightforward techniques, including match funding and selective use of derivatives. We use derivatives to mitigate or eliminate certain financial and market risks because we conduct business in diverse markets around the world and local funding is not always efficient. In addition, we use derivatives to adjust the debt we are issuing to match the fixed or floating nature of the assets we are acquiring. We apply strict policies to manage each of these risks, including prohibitions on derivatives trading, derivatives market-making or other speculative activities.

To qualify for hedge accounting, the details of the hedging relationship must be formally documented at inception of the arrangement, including the risk management objective, hedging strategy, hedged item, specific risks that are being hedged, the derivative instrument and how effectiveness is being assessed. The derivative must be highly effective in offsetting either changes in fair value or cash flows, as appropriate, for the risk being hedged. Effectiveness is evaluated on a retrospective and prospective basis. If a hedge relationship becomes ineffective, it no longer qualifies as a hedge. Any excess gains or losses attributable to such ineffectiveness, as well as subsequent changes in the fair value of the derivative, are recognized in earnings.

Cash flow hedges

Cash flow hedges are hedges that use simple derivatives to offset the variability of expected future cash flows. Variability can appear in floating rate assets, floating rate liabilities or from certain types of forecasted transactions, and can arise from changes in interest rates or currency exchange rates. For example, GECS often borrows at a variable rate of interest to fund our financial services businesses. If Commercial Finance needs the funds to make a floating rate loan, there is no exposure to interest rate changes, and no hedge is necessary. However, upon making a fixed rate loan, we will contractually commit to pay a fixed rate of interest to a counterparty who will pay us a variable rate of interest (an "interest rate swap"). We then designate this swap as a cash flow hedge of the associated variable-rate borrowing. If, as expected, the derivative is perfectly effective in offsetting variable interest in the borrowing, we record changes in its fair value in a separate component in equity, then release those changes to earnings contemporaneously with the earnings effects of the hedged item. Further information about hedge effectiveness is provided on page 105.

We use currency forwards and options to manage exposures to changes in currency exchange rates associated with commercial purchase and sale transactions. These instruments permit us to eliminate the cash flow variability, in local currency, of costs or selling prices denominated in currencies other than the functional currency. In addition, we use these instruments, along with interest rate and currency swaps, to convert borrowings into the currency of the local market in which we do business.

At December 31, 2004, amounts related to derivatives qualifying as cash flow hedges amounted to a reduction of equity of \$1,223 million, of which we expect to transfer \$453 million to earnings in 2005 along with the earnings effects of the related forecasted transactions. At December 31, 2004, the amount of unrecognized losses related to cash flow hedges of short-term borrowings was \$1,823 million. In 2004, there were no forecasted transactions that failed to occur. At December 31, 2004, the maximum term of derivative instruments that hedge forecasted transactions was 23 years and related to hedges of anticipated bond purchases in the Insurance business.

Fair value hedges

Fair value hedges are hedges that eliminate the risk of changes in the fair values of assets, liabilities and certain types of firm commitments. For example, we will use an interest rate swap in which we receive a fixed rate of interest and pay a variable rate of interest to change the cash flow profile of a fixed-rate borrowing to match the variable rate financial asset that it is funding. We record changes in fair value of derivatives designated and effective as fair value hedges in earnings, offset by corresponding changes in the fair value of the hedged item.

We use interest rate swaps, currency swaps and interest rate and currency forwards to hedge the effects of interest rate and currency exchange rate changes on local and nonfunctional currency denominated fixed-rate borrowings and certain types of fixed rate assets. Fair value adjustments increased the carrying amount of debt outstanding at December 31, 2004, by \$2,282 million. We use equity options to hedge price changes in investment securities.

Net investment hedges

Net investment hedges are hedges that use derivative contracts or cash instruments to hedge the foreign currency exposure of a net investment in a foreign operation. We manage currency exposures that result from net investments in affiliates principally by funding assets denominated in local currency with debt denominated in that same currency. In certain circumstances, we manage such exposures with currency forwards and currency swaps.

Derivatives not designated as hedges

We must meet specific criteria in order to apply any of the three forms of hedge accounting. For example, hedge accounting is not permitted for hedged items that are marked to market through earnings. We use derivatives to hedge exposures when it makes economic sense to do so, including circumstances in which the hedging relationship does not qualify for hedge accounting as described in the following paragraph. We also will occasionally receive derivatives, such as equity warrants, in the ordinary course of business. Derivatives that do not qualify for hedge accounting are marked to market through earnings.

We use swaps and option contracts, including caps, floors and collars, as an economic hedge of changes in interest rates, currency exchange rates and equity prices on certain types of assets and liabilities. We occasionally obtain equity warrants as part of sourcing or financing transactions. Although these instruments are considered to be derivatives, their economic risk is similar to, and managed on the same basis as, other equity instruments we hold.

Earnings effects of derivatives

The table that follows provides additional information about the earnings effects of derivatives. In the context of hedging relationships, "effectiveness" refers to the degree to which fair value changes in the hedging instrument offset the corresponding expected earnings effects of the hedged item. Certain elements of hedge positions cannot qualify for hedge accounting under SFAS 133 whether effective or not, and must therefore be marked to market through earnings. Time value of purchased options is the most common example of such elements in instruments we use. Pre-tax earnings effects of such items are shown in the following table as "Amounts excluded from the measure of effectiveness."

December 31 (In millions)	2004	2003
CASH FLOW HEDGES		
Ineffectiveness	\$ 2	\$(19)
Amounts excluded from the measure of effectiveness	25	—
FAIR VALUE HEDGES		
Ineffectiveness	11	—
Amounts excluded from the measure of effectiveness	3	—

In 2004, Energy recognized a loss of \$30 million, after tax and before cancellation penalties, for terminating a forward euro contract when our customer canceled its hedged, firm order for equipment and services.

Counterparty credit risk

The risk that counterparties to derivative contracts will default and not make payments to us according to the terms of the agreements is counterparty credit risk. We manage counterparty credit risk on an individual counterparty basis, which means that we net exposures on transactions by counterparty where legal right of offset exists to determine the amount of exposure to each counterparty. When a counterparty exceeds credit exposure limits (see table below), as measured by current market value of the derivative contract, no additional transactions are permitted to be executed until the exposure with that counterparty is reduced to an amount that is within the established limits.

Swaps are required to be executed under master agreements containing mutual credit downgrade provisions that provide the ability to require assignment or termination in the event either party is downgraded below A3 or A-.

To further mitigate credit risk, in certain cases we have entered into collateral arrangements that provide us with the right to hold collateral when the current market value of derivative contracts exceeds an exposure threshold. Under these arrangements, we may receive U.S. Treasury and other highly-rated securities or cash to secure our exposure to counterparties; such collateral is available to us in the event that a counterparty defaults. From an economic standpoint, we evaluate credit risk exposures and compliance with credit exposure limits net of such collateral. If the downgrade provisions had been triggered at December 31, 2004, we could have been required to disburse up to \$5.4 billion and could have claimed \$4.7 billion from counterparties, including \$3.0 billion of collateral that has been pledged to us.

Fair values of our derivative assets and liabilities represent the replacement value of existing derivatives at market prices and can change significantly from period to period based on, among other factors, market movements and changes in our positions. At December 31, 2004 and 2003, gross fair value gains amounted to \$6.5 billion and \$5.5 billion, respectively. At December 31, 2004 and 2003, gross fair value losses amounted to \$7.2 billion and \$6.9 billion, respectively.

The following tables illustrate our policy relating to exposure limits to counterparties.

COUNTERPARTY CREDIT CRITERIA

	Credit rating	
	Moody's	S&P
Foreign exchange forwards and other derivatives less than one year	P-1	A-1
All derivatives between one and five years	Aa3 ^(a)	AA ^(a)
All derivatives greater than five years	Aaa ^(a)	AAA ^(a)

(a) Counterparties that have an obligation to provide collateral to cover credit exposure in accordance with a credit support agreement must have a minimum A3/A- rating.

EXPOSURE LIMITS

(In millions)	Exposure		
	Less than one year	Greater than one year With collateral	Without collateral
Minimum rating			
Aaa/AAA	\$150	\$100	\$75
Aa3/AA-	150	50	50
A3/A-	150	5	Not allowed

FINANCIAL INSTRUMENTS

December 31 (In millions)	2004			2003		
	Notional amount	Assets (liabilities) Carrying amount (net)	Estimated fair value	Notional amount	Assets (liabilities) Carrying amount (net)	Estimated fair value
GE						
Assets						
Investments and notes receivable	\$ (a)	\$ 3,465	\$ 3,545	\$ (a)	\$ 645	\$ 645
Liabilities						
Borrowings ^{(b)(c)}	(a)	(11,034)	(11,144)	(a)	(10,943)	(10,991)
Other financial instruments	(a)	(758)	(855)	(a)	—	—
GECS						
Assets						
Time sales and loans	(a)	215,803	216,923	(a)	183,416	182,961
Other commercial and residential mortgages	(a)	11,213	11,402	(a)	8,759	9,085
Other financial instruments	(a)	3,206	3,420	(a)	2,701	2,701
Liabilities						
Borrowings ^{(b)(c)}	(a)	(361,342)	(370,641)	(a)	(320,318)	(331,381)
Investment contract benefits	(a)	(35,312)	(35,337)	(a)	(34,224)	(34,035)
Insurance—financial guarantees and credit life ^(d)	223,299	(3,582)	(3,582)	171,338	(3,935)	(3,935)
Other firm commitments						
Ordinary course of business lending commitments						
Fixed rate	2,503	—	—	2,158	—	—
Variable rate	8,156	—	—	8,923	—	—
Unused revolving credit lines ^(e)						
Commercial						
Fixed rate	1,210	—	—	896	—	—
Variable rate	21,411	—	—	15,953	—	—
Consumer—principally credit cards						
Fixed rate	141,965	—	—	107,892	—	—
Variable rate	200,219	—	—	131,106	—	—

(a) These financial instruments do not have notional amounts.

(b) Included effects of interest rate swaps and cross currency swaps.

(c) See note 18.

(d) See note 19.

(e) Excluded inventory financing arrangements, which may be withdrawn at our option, of \$8.9 billion and \$4.2 billion as of December 31, 2004 and 2003, respectively.

Assets and liabilities that are reflected in the accompanying financial statements at fair value are not included in the above disclosures; such items include cash and equivalents, investment securities, separate accounts and derivative financial instruments. Other assets and liabilities—those not carried at fair value—are discussed below. Apart from certain of our borrowings and certain marketable securities, few of the instruments discussed below are actively traded and their fair values must often be determined using models. Although we have made every effort to represent accurate estimated fair values in this section, there is no assurance that such estimates could actually have been realized at December 31, 2004 or 2003.

A description of how we estimate fair values follows.

Time sales and loans

Based on quoted market prices, recent transactions and/or discounted future cash flows, using rates at which similar loans would have been made to similar borrowers.

Borrowings

Based on discounted future cash flows using current market rates which are comparable to market quotes.

Investment contract benefits

Based on expected future cash flows, discounted at currently offered discount rates for immediate annuity contracts or cash surrender values for single premium deferred annuities.

All other instruments

Based on comparable market transactions, discounted future cash flows, quoted market prices, and/or estimates of the cost to terminate or otherwise settle obligations.

Note 29**Securitization Entities**

We securitize financial assets in the ordinary course of business to improve shareowner returns. The securitization transactions we engage in are similar to those used by many financial institutions. Beyond improving returns, these securitization transactions serve as funding sources for a variety of diversified lending and securities transactions. Historically, we have used both GE-supported and third-party entities to execute securitization transactions funded in the commercial paper and term bond markets.

Securitized assets that are on-balance sheet include assets consolidated on July 1, 2003, upon adoption of FIN 46. Although we do not control these entities, consolidation was required because we provided a majority of the credit and liquidity support for their activities. A majority of these entities were established to issue asset-backed securities, using assets that were sold by us and by third parties. These entities differ from others included in our consolidated financial statements because the assets they hold are legally isolated and are unavailable to us under any circumstances. Repayment of their liabilities depends primarily on cash flows generated by their assets. Because we have ceased transferring assets to these entities, balances will decrease as the assets repay. We refer to these entities as “consolidated, liquidating securitization entities.”

In December 2004, we acquired AFIG. Securitization entities used by AFIG before our acquisition to transfer its assets, residential real estate mortgages, are required by U.S. accounting standards to be consolidated. These entities have characteristics similar to those we consolidated when we adopted FIN 46, and we intend to run off their assets. Therefore, we refer to them as consolidated, liquidating securitization entities.

The following table represents assets in securitization entities, both consolidated and off-balance sheet.

December 31 (In millions)	2004	2003
Receivables secured by:		
Equipment	\$13,918	\$15,616
Commercial real estate	15,538	16,713
Residential real estate—AFIG	9,094	—
Other assets	11,723	9,114
Credit card receivables	7,075	8,581
GE trade receivables	3,582	3,249
Total securitized assets	\$60,930	\$53,273

December 31 (In millions)	2004	2003
Off-balance sheet ^{(a)(b)}	\$34,417	\$26,810
On-balance sheet—AFIG	9,094	—
On-balance sheet—other ^(c)	17,419	26,463
Total securitized assets	\$60,930	\$53,273

(a) At December 31, 2004 and 2003, liquidity support amounted to \$2,300 million and \$3,100 million, respectively. These amounts are net of \$4,300 million and \$2,400 million, respectively, participated or deferred beyond one year. Credit support amounted to \$6,600 million and \$5,500 million at December 31, 2004 and 2003, respectively.

(b) Liabilities for recourse obligations related to off-balance sheet assets were \$0.1 billion at both December 31, 2004 and 2003.

(c) At December 31, 2004 and 2003, liquidity support amounted to \$14,400 million and \$18,400 million, respectively. These amounts are net of \$1,200 million and \$5,300 million, respectively, participated or deferred beyond one year. Credit support amounted to \$6,900 million and \$8,600 million at December 31, 2004 and 2003, respectively.

The portfolio of financing receivables consisted of loans and financing lease receivables secured by equipment, commercial and residential real estate and other assets; credit card receivables; and trade receivables. Examples of these assets include loans and leases on manufacturing and transportation equipment, loans on commercial property, commercial loans, and balances of high credit quality accounts from sales of a broad range of products and services to a diversified customer base.

Assets in consolidated, liquidating securitization entities are shown in the following captions in the Statement of Financial Position.

December 31 (In millions)	2004	2003
Investment securities	\$ 1,147	\$ 1,566
Financing receivables—net (note 12) ^(a)	22,616	21,877
Other assets	2,408	2,352
Other, principally insurance receivables	342	668
Total	\$26,513	\$26,463

(a) Included \$9,094 million related to AFIG.

Off-balance sheet arrangements

We continue to engage in off-balance sheet securitization transactions with third-party entities and to use public market term securitizations. As discussed above, assets in off-balance sheet securitization entities amounted to \$34.4 billion and \$26.8 billion at December 31, 2004 and 2003, respectively. Gross securitization gains amounted to \$1,195 million in 2004 compared with \$1,394 million in 2003 and \$1,796 million in 2002.

Amounts recognized in our financial statements related to sales to off-balance sheet securitization entities are as follows:

December 31 (In millions)	2004	2003
Retained interests	\$3,637	\$2,663
Servicing assets ^(a)	33	150
Recourse liability	(64)	(75)
Total	\$3,606	\$2,738

(a) 2003 included \$115 million of mortgage servicing rights sold in 2004.

• **RETAINED INTERESTS.** When we securitize receivables, we determine fair value based on discounted cash flow models that incorporate, among other things, assumptions including loan pool credit losses, prepayment speeds and discount rates. These assumptions are based on our experience, market trends and anticipated performance related to the particular assets securitized. Subsequent to recording retained interests, we review recorded values quarterly in the same manner and using current assumptions. We recognize impairments when carrying amounts exceed current fair values.

• **SERVICING ASSETS.** Following a securitization transaction, we retain responsibility for servicing the receivables, and are therefore entitled to an ongoing fee based on the outstanding principal balances of the receivables. Servicing assets are primarily associated with residential mortgage loans. Their value is subject to credit, prepayment and interest rate risk.

• **RECOURSE LIABILITY.** Certain transactions require credit support agreements. As a result, we provide for expected credit losses under these agreements and such amounts approximate fair value.

The following table summarizes data related to securitization sales that we completed during 2004 and 2003.

(Dollars in millions)	Equipment	Commercial real estate	Other assets	Credit card receivables
2004				
Cash proceeds from securitization	\$5,367	\$4,578	\$ —	\$ 8,121
Proceeds from collections reinvested in new receivables	—	—	21,389	5,208
Cash received on retained interest	107	70	128	1,788
Weighted average lives (in months)	37	68	—	7
ASSUMPTIONS AS OF SALE DATE^(a)				
Discount rate	8.2%	13.0%	—	12.2%
Prepayment rate	9.1%	11.2%	—	14.9%
Estimate of credit losses	1.9%	1.1%	—	8.9%
2003				
Cash proceeds from securitization	\$5,416	\$3,082	\$ 2,009	\$ —
Proceeds from collections reinvested in new receivables	—	—	14,047	11,453
Weighted average lives (in months)	29	72	106	7
ASSUMPTIONS AS OF SALE DATE^(a)				
Discount rate	6.6%	11.5%	6.4%	11.2%
Prepayment rate	10.1%	10.8%	4.6%	15.0%
Estimate of credit losses	1.6%	1.6%	0.2%	10.8%

Cash receipts related to servicing and other sources were less than \$300 million in 2004.

(a) Based on weighted averages.

Key assumptions used in measuring the fair value of retained interests in securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions are noted in the following table. These assumptions may differ from those in the previous table as these related to all outstanding retained interests as of December 31, 2004.

(Dollars in millions)	Equipment	Commercial real estate	Other assets	Credit card receivables
DISCOUNT RATE^(a)	7.3%	8.6%	6.7%	11.3%
Effect of:				
10% Adverse change	\$(10)	\$(13)	\$(19)	\$(9)
20% Adverse change	(20)	(26)	(37)	(17)
PREPAYMENT RATE^(a)	9.4%	3.2%	1.1%	12.2%
Effect of:				
10% Adverse change	\$(6)	\$(4)	\$(9)	\$(35)
20% Adverse change	(12)	(9)	(19)	(65)
ESTIMATE OF CREDIT LOSSES^(a)	1.8%	0.4%	0.5%	8.0%
Effect of:				
10% Adverse change	\$(11)	\$(8)	\$ —	\$(34)
20% Adverse change	(23)	(17)	(2)	(67)
Remaining weighted average lives (in months)	35	101	62	8
Net credit losses	\$ 54	\$ 7	\$ 25	\$465
Delinquencies	78	38	10	256

(a) Based on weighted averages.

GUARANTEE AND REIMBURSEMENT CONTRACTS. We provide protection to certain counterparties of interest rate swaps entered into by securitization-related entities related to changes in the relationship between commercial paper interest rates and the timing and amount of the payment streams. These arrangements provide protection for the life of the assets held by the SPE but generally amortize in proportion to the decline in underlying asset principal balances. At December 31, 2004, the notional amount of such support was \$1.8 billion and related assets and liabilities were insignificant.

Note 30

Commitments and Guarantees

Commitments, including guarantees

In our Transportation business, we have committed to provide financial assistance on future sales of aircraft equipped with our engines, totaling \$818 million at December 31, 2004. In addition, our Commercial Finance business had placed multiple-year orders for various Boeing, Airbus and other aircraft with list prices approximating \$10.2 billion at December 31, 2004.

At December 31, 2004, we were committed under the following guarantee arrangements beyond those provided on behalf of SPEs. See note 29.

• **LIQUIDITY SUPPORT.** Liquidity support provided to holders of certain variable rate bonds issued by municipalities amounted to \$3,612 million at December 31, 2004. If holders elect to sell supported bonds that cannot be remarketed, we are obligated to repurchase them at par. If called upon, our position would be secured by the repurchased bonds. While we hold any such bonds, we would receive interest payments from the municipalities at a rate that is in excess of the stated rate on the bond. To date, we have not been required to perform under such arrangements. In addition, we are currently not providing any new liquidity facilities.

• **CREDIT SUPPORT.** We have provided \$6,868 million of credit support on behalf of certain customers or associated companies, predominantly joint ventures and partnerships, using arrangements such as standby letters of credit and performance guarantees. These arrangements enable our customers and associated companies to execute transactions or obtain desired financing arrangements with third parties. Should the customer or associated company fail to perform under the terms of the transaction or financing arrangement, we would be required to perform on their behalf. Under most such arrangements, our guarantee is secured, usually by the asset being purchased or financed but possibly by certain other assets of the customer or associated company. The length of these credit support arrangements parallels the length of the related financing arrangements or transactions. The liability for such credit support was \$95 million at December 31, 2004.

• **INDEMNIFICATION AGREEMENTS.** These are agreements that require us to fund up to \$837 million under residual value guarantees on a variety of leased equipment and \$194 million of other indemnification commitments arising from sales of businesses or assets. Under most of our residual value guarantees, our commitment is secured by the leased asset at termination of the lease. The liability for these indemnification agreements was \$85 million at December 31, 2004.

• **CONTINGENT CONSIDERATION.** These are agreements to provide additional consideration in a business combination to the seller if contractually specified conditions related to the acquired entity are achieved. At December 31, 2004, we had recognized liabilities for estimated payments amounting to \$56 million of our total exposure of \$444 million.

At year-end 2004, NBC Universal had \$7,598 million of commitments to acquire film and broadcast material and the rights to broadcast television programs, including U.S. television rights to future Olympic Games, contractual commitments under various creative talent arrangements and commitments under long-term television station affiliation agreements that require payments through 2014.

Our guarantees are provided in the ordinary course of business. We underwrite these guarantees considering economic, liquidity and credit risk of the counterparty. We believe that the likelihood is remote that any such arrangements could have a significant

Note 31

Quarterly Information (Unaudited)

	First quarter		Second quarter		Third quarter		Fourth quarter	
(In millions; per-share amounts in dollars)	2004	2003	2004	2003	2004	2003	2004	2003
CONSOLIDATED OPERATIONS								
Earnings before accounting changes	\$ 3,240	\$ 3,214	\$ 3,924	\$ 3,794	\$ 4,051	\$ 4,021	\$ 5,378	\$ 4,560
Cumulative effect of accounting changes	—	(215)	—	—	—	(372)	—	—
Net earnings	\$ 3,240	\$ 2,999	\$ 3,924	\$ 3,794	\$ 4,051	\$ 3,649	\$ 5,378	\$ 4,560
Per-share amounts before accounting changes								
Diluted earnings per share	\$ 0.32	\$ 0.32	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.40	\$ 0.51	\$ 0.45
Basic earnings per share	0.32	0.32	0.38	0.38	0.38	0.40	0.51	0.45
Per-share amounts after accounting changes								
Diluted earnings per share	0.32	0.30	0.38	0.38	0.38	0.36	0.51	0.45
Basic earnings per share	0.32	0.30	0.38	0.38	0.38	0.36	0.51	0.45
SELECTED DATA								
GE								
Sales of goods and services	\$16,680	\$15,758	\$19,995	\$17,640	\$20,967	\$16,463	\$24,572	\$20,581
Gross profit from sales	4,467	4,836	5,503	5,590	5,648	4,568	7,229	6,045
GECS								
Total revenues	16,943	14,867	17,133	15,887	17,549	17,007	19,151	16,518
Earnings before accounting changes	1,845	1,670	1,696	1,602	2,233	2,207	2,387	2,275

For GE, gross profit from sales is sales of goods and services less costs of goods and services sold.

Earnings-per-share amounts for each quarter are required to be computed independently. As a result, their sum does not equal the total year basic earnings per share after accounting changes in 2004 and 2003.

adverse effect on our financial position, results of operations or liquidity. We record liabilities for guarantees at estimated fair value, generally the amount of the premium received, or if we do not receive a premium, the amount based on appraisal, observed market values or discounted cash flows. Any associated recoveries from third parties are recorded as other receivables; not netted against the liabilities.

Product warranties

We provide for estimated product warranty expenses when we sell the related products. Because warranty estimates are forecasts that are based on the best available information—mostly historical claims experience—claims costs may differ from amounts provided. An analysis of changes in the liability for product warranties follows.

(In millions)	2004	2003	2002
Balance at January 1	\$1,437	\$1,304	\$ 968
Current year provisions	720	751	918
Expenditures ^(a)	(838)	(749)	(694)
Other changes	7	131	112
Balance at December 31	\$1,326	\$1,437	\$1,304

(a) Primarily related to Energy.

Our Businesses

A description of operating segments for General Electric Company and consolidated affiliates as of December 31, 2004, and the basis for presentation in this report, follows.

Advanced Materials

High-performance engineered plastics used in a variety of applications such as automotive parts, computer enclosures, telecommunications equipment and construction materials. Products also include structured products, silicones and high-purity quartzware. Products and services are sold worldwide to a diverse customer base consisting mainly of manufacturers.

Commercial Finance

Loans, leases and other financial services to customers, including manufacturers, distributors and end-users for a variety of equipment and major capital assets. These assets include industrial and energy-related facilities and equipment; commercial and residential real estate; vehicles; aircraft; and equipment used in many industries, including the construction, manufacturing, telecommunications and healthcare industries.

Consumer Finance

Private-label credit cards; personal loans; bank cards; auto loans; leases and inventory financing; residential mortgages; corporate travel and purchasing cards; debt consolidation loans; home equity loans; and credit and other insurance products for customers on a global basis.

Consumer & Industrial

Major appliances and related services for products such as refrigerators, freezers, electric and gas ranges, cooktops, dishwashers, clothes washers and dryers, microwave ovens, room air conditioners and residential water system products. Distributed to both retail outlets and direct to consumers, mainly for the replacement market, and to building contractors and distributors for new installations. Lighting products include a wide variety of lamps and lighting fixtures. Electrical distribution and control equipment includes power delivery and control products such as transformers, meters and relays. Also includes GE Supply, a network of electrical supply houses. Products and services are sold in North America and in global markets under various GE and private-label brands.

Energy

Power plant products and services, including design, installation, operation and maintenance services sold into global markets. Gas, steam and aeroderivative turbines, generators, combined cycle systems, controls and related services, including total asset optimization solutions, equipment upgrades and contractual services, are sold to power generation and other industrial customers. Renewable energy solutions including wind turbines and hydro turbines and generators. Advanced turbomachinery products and related services for the oil and gas market, including total pipeline integrity solutions. Substation automation, network solutions and power equipment sold to power transmission and distribution customers. Also includes portable and rental power plants, nuclear reactors, fuel and nuclear support services.

Equipment & Other Services

Rentals, leases, sales, asset management services and loans for portfolios of commercial and transportation equipment, including tractors, trailers, railroad rolling stock, modular space units, intermodal shipping containers and marine containers. Also included in the segment are activities and businesses that are not measured within one of the other financial services segments—for example, corporate financial services expenses, liquidating businesses and other non-segment aligned operations.

Healthcare

Medical imaging systems such as magnetic resonance (MR) and computed tomography (CT) scanners, x-ray, nuclear imaging and ultrasound, as well as diagnostic cardiology and patient monitoring devices; related services, including equipment monitoring and repair, computerized data management and customer productivity services. Diagnostic imaging agents used in medical scanning procedures, protein separations products including chromatography purification systems used in the manufacture of biopharmaceuticals, and high-throughput systems for applications in genomics, proteomics and bioassays. Products and services are sold worldwide to hospitals, medical facilities, pharmaceutical and biotechnology companies and to the life science research market.

Infrastructure

Chemical water treatment program services and equipment; measurement and sensing equipment (products and subsystems for sensing temperature flow rates, humidity and pressure); security equipment and systems (including card access systems, video and sensor monitoring equipment, integrated facility monitoring systems and explosive detection systems); a broad range of automation hardware and software. Markets are extremely diverse. Products and services are sold to commercial and industrial end-users, including utilities; original equipment manufacturers; electrical distributors; retail outlets; airports; railways; and transit authorities. Increasingly, products and services are developed for and sold in global markets.

Insurance

U.S. and international multiple-line property and casualty reinsurance, certain directly written specialty insurance and life reinsurance, consumer investment, insurance and retirement services, and private mortgage insurance.

NBC Universal

Principal businesses are the furnishing of U.S. network television services to more than 230 affiliated stations, production of television programs, the production and distribution of motion pictures, operation of 29 VHF and UHF television broadcasting stations, operation of cable/satellite networks around the world, operation of theme parks, and investment and programming activities in multimedia and the Internet.

Transportation

Jet engines and replacement parts and repair and maintenance services for all categories of commercial aircraft (short/medium, intermediate and long-range); for a wide variety of military aircraft, including fighters, bombers, tankers and helicopters; and for executive and regional aircraft. Products and services are sold worldwide to airframe manufacturers, airlines and government agencies. Also includes aircraft engine derivatives used as marine propulsion and industrial power sources; the latter is also reported in Energy. Rail systems products and maintenance services including diesel electric locomotives, transit propulsion equipment, motorized wheels for off-highway vehicles, and railway signaling communications systems.

ADVERSE OR FAVORABLE DEVELOPMENT An adjustment to increase (adverse development) or reduce (favorable development) the provision for estimated ultimate insurance losses in a year following the year in which the loss event occurred.

BACKLOG Unfilled customer orders for products and product services (12 months for product services).

BORROWING Financial liability (short or long-term) that obliges us to repay cash or another financial asset to another entity.

BORROWINGS AS A PERCENTAGE OF TOTAL CAPITAL INVESTED For GE, the sum of borrowings and mandatorily redeemable preferred stock, divided by the sum of borrowings, mandatorily redeemable preferred stock, minority interest and total shareowners' equity.

CASH EQUIVALENTS Highly liquid debt instruments with original maturities of less than three months, such as commercial paper. Typically included with cash for reporting purposes, unless designated as available-for-sale and included with investment securities.

CASH FLOW HEDGES Qualifying derivative instruments that we use to protect ourselves against exposure to volatility in future cash flows. The exposure may be associated with an existing asset or liability, or with a forecasted transaction. See "Hedge."

CASH GENERATORS Our Advanced Materials, Consumer & Industrial, Insurance and Equipment & Other Services segments, businesses that provide consistently strong cash flow and grow earnings in an expanding economy.

COMMERCIAL PAPER Unsecured, unregistered promise to repay borrowed funds in a specified period ranging from overnight to 270 days.

CUSTOMER SERVICE AGREEMENTS (also referred to as "product services agreements") Contractual commitments, with multiple-year terms, to provide specified services for products in our industrial installed base—for example, monitoring, maintenance, overhaul and spare parts for a gas turbine/generator set installed in a customer's power plant.

DERIVATIVE INSTRUMENT A financial instrument or contract with another party (counterparty) that is structured to meet any of a variety of financial objectives, including those related to fluctuations in interest rates, currency exchange rates and commodity prices. Options, forwards and swaps are the most common derivative instruments we employ. See "Hedge."

DIRECT WRITTEN PREMIUMS Amounts charged to insureds in exchange for coverages provided in accordance with the terms of an insurance/reinsurance contract.

EARNED PREMIUMS Portion of the premium, net of any amount ceded, pertaining to the segment of the policy period for which insurance coverage has been provided.

EFFECTIVE TAX RATE Provision for income taxes as a percentage of earnings before income taxes and accounting changes. Does not represent cash paid for income taxes in the current accounting period.

EQUIPMENT LEASED TO OTHERS Rental equipment we own that is available to rent and is stated at cost less accumulated depreciation.

FAIR VALUE HEDGE Qualifying derivative instruments that we use to eliminate the risk of changes in the fair value of assets, liabilities or certain types of firm commitments. Changes in the fair values of derivative instruments that are designated and effective as fair value hedges are recorded in earnings, but are offset by corresponding changes in the fair values of the hedged items. See "Hedge."

FINANCIAL LEVERAGE The relationship of debt to equity. Expressed for financial services businesses as borrowings divided by equity. Expressed for industrial businesses as borrowings divided by total capital.

FINANCING RECEIVABLES Investment in contractual loans and leases due from customers (not investment securities).

FORWARD CONTRACT Fixed price contract for purchase or sale of a specified quantity of a commodity, security, currency or other financial instrument with delivery and settlement at a specified future date. Commonly used as a hedging tool. See "Hedge."

GOODWILL The premium paid for acquisition of a business. Calculated as the purchase price less the fair value of net assets acquired (net assets are identified tangible and intangible assets, less liabilities assumed).

GROWTH ENGINES Our Commercial Finance, Consumer Finance, Energy, Healthcare, Infrastructure, NBC Universal and Transportation segments, businesses that are market leaders with strengths in technology, cost, services, global distribution and capital efficiency.

GUARANTEED INVESTMENT CONTRACTS (GICs) Deposit-type products that guarantee a minimum rate of return, which may be fixed or floating.

HEDGE A technique designed to eliminate risk. Often refers to the use of derivative financial instruments to offset changes in interest rates, currency exchange rates or commodity prices, although many business positions are "naturally hedged"—for example, funding a U.S. fixed-rate investment with U.S. fixed-rate borrowings is a natural interest rate hedge.

INSURANCE RECEIVABLES Receivables of our insurance businesses associated with (1) reinsurance agreements in which those businesses legally transferred (ceded) insurance losses (and related premiums) to reinsurers and are entitled to recovery of those insurance losses; (2) premiums on insurance and reinsurance contracts; (3) policy loans to policyholders of certain life insurance contracts; and (4) premium funds on deposit with reinsurance customers as collateral for our obligations as a reinsurer.

INTANGIBLE ASSET A non-financial asset lacking physical substance, such as goodwill, patents, trademarks and licenses. Also includes present value of future profits, which are anticipated net discounted cash flows to be realized from certain in-force insurance, annuity and investment contracts at the date we acquire a life insurance business.

INTEREST RATE SWAP Agreement under which two counterparties agree to exchange one type of interest rate cash flow for another. In a typical arrangement, one party periodically will pay a fixed amount of interest, in exchange for which that party will receive variable payments computed using a published index. See "Hedge."

INVESTMENT SECURITIES Generally, an instrument that provides an ownership position in a corporation (a stock), a creditor relationship with a corporation or governmental body (a bond), or rights to ownership such as those represented by options, subscription rights and subscription warrants.

MANAGED RECEIVABLES Total receivable amounts on which we continue to perform billing and collection activities, including receivables that have been sold with and without credit recourse and are no longer reported on our balance sheet.

MATCH FUNDING A risk control policy that provides funds for a particular financial asset having the same currency, maturity and interest rate characteristics as that asset. Match funding ensures that we maintain initial financing spreads or margins for the life of a financial asset, and is executed directly, by issuing debt, or synthetically, through a combination of debt and derivative financial instruments. For example, when we lend at a fixed interest rate in the U.S., we can borrow those U.S. dollars either at a fixed rate of interest or at a floating rate executed concurrently with a pay-fixed interest rate swap. See "Hedge."

MONETIZATION Sale of financial assets to a third party for cash. For example, we sell certain loans, credit card receivables and trade receivables to third-party financial buyers, typically providing at least some credit protection and often agreeing to provide collection and processing services for a fee. Monetization normally results in gains on interest-bearing assets and losses on non-interest bearing assets. See "Securitization" and "Variable Interest Entity."

NET REVENUES For our lending and leasing businesses, revenues from services, less interest and other financial charges.

OPERATING PROFIT Earnings before interest and other financial charges, income taxes and effects of accounting changes.

OPTION The right, not the obligation, to execute a transaction at a designated price, generally involving equity interests, interest rates, currencies or commodities. See "Hedge."

PREMIUM Rate that is charged under insurance/reinsurance contracts.

PRESENT VALUE OF FUTURE PROFITS See "Intangible Asset."

PRODUCT SERVICES For purposes of the financial statement display of sales and costs of sales on pages 72 and 73, "goods" is required by U.S. Securities and Exchange Commission regulations to include all sales of tangible products, and "services" must include all other sales, including broadcasting and other services activities. In our Management's Discussion and Analysis of Operations we refer to sales of both spare parts (goods) and related services as sales of "product services," which is an important part of our operations.

PRODUCT SERVICES AGREEMENTS See "Customer Service Agreements."

PRODUCTIVITY The rate of increased output for a given level of input, with both output and input measured in constant currency. A decline in output for a given level of input is "negative" productivity.

PROGRESS COLLECTIONS Payments received from customers as deposits before the associated work is performed or product is delivered.

REINSURANCE A form of insurance that insurance companies buy for their own protection.

RETROCESSION AGREEMENT Contract to acquire third-party insurance protection for reinsurance policies written. Retrocession is a risk mitigation technique.

RETURN ON AVERAGE SHAREOWNERS' EQUITY Earnings before accounting changes divided by average total equity (on an annual basis, calculated using a five-point average).

RETURN ON AVERAGE TOTAL CAPITAL INVESTED EXCLUDING EFFECT OF ACCOUNTING CHANGES For GE, earnings before accounting changes plus the sum of after-tax interest and other financial charges and minority interest, divided by the sum of total shareowners' equity, borrowings, mandatorily redeemable preferred stock and minority interest (on an annual basis, calculated using a five-point average).

SECURITIZATION A process whereby loans or other receivables are packaged, underwritten and sold to investors. In a typical transaction, assets are sold to a special purpose entity (SPE), which purchases the assets with cash raised through issuance of beneficial interests (usually debt instruments) to third party investors. Whether or not credit risk associated with the securitized assets is retained by the seller depends on the structure of the securitization. See "Monetization" and "Variable Interest Entity."

SEPARATE ACCOUNT Investments controlled by policyholders and associated with identical amounts reported as insurance liabilities.

TURNOVER Broadly based on the number of times that working capital is replaced during a year. Accounts receivable turnover is total sales divided by the five-point average balance of customer receivables from sales of goods and services (trade receivables). Inventory turnover is total sales divided by a five-point average balance of inventories. See "Working Capital."

UNEARNED PREMIUMS Portion of the premium received, net of any amount ceded, that relates to future coverage periods.

UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES Claims reserves for events that have occurred, including both reported and incurred-but-not-reported (IBNR) reserves, and the expenses of settling such claims.

VARIABLE INTEREST ENTITY Entity defined by Financial Accounting Standards Board Interpretation No. 46 (as amended), and that must be consolidated by its primary beneficiary. A variable interest entity has one or both of the following characteristics: (1) its equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) as a group, the equity investors lack one or more of the following characteristics: (a) direct/indirect ability to make decisions, (b) obligation to absorb expected losses, or (c) right to receive expected residual returns.

WORKING CAPITAL Sum of receivables from the sales of goods and services, plus inventories, less trade accounts payables and progress collections.

Senior Executive Officers

Jeffrey R. Immelt
Chairman of the Board & Chief Executive Officer

Sir William M. Castell
Vice Chairman of the Board & Executive Officer, General Electric Company; and President & Chief Executive Officer, GE Healthcare

Dennis D. Dammerman
Vice Chairman of the Board & Executive Officer, General Electric Company; and Chairman, General Electric Capital Services, Inc.

Robert C. Wright
Vice Chairman of the Board & Executive Officer, General Electric Company; and Chairman & Chief Executive Officer, NBC Universal, Inc.

Senior Corporate Officers

Ferdinando Beccalli-Falco
President & Chief Executive Officer, GE International

William J. Conaty
Senior Vice President, Human Resources

Scott C. Donnelly
Senior Vice President, Global Research

Benjamin W. Heineman, Jr.
Senior Vice President, Law and Public Affairs

James A. Parke
Senior Vice President & Chief Financial Officer, GE Capital

Gary M. Reiner
Senior Vice President & Chief Information Officer

Keith S. Sherin
Senior Vice President, Finance & Chief Financial Officer

Corporate Staff Officers

Charles E. Alexander
President, GE Capital, Europe

Phillip D. Ameen
Vice President & Comptroller

Scott R. Bayman
President & Chief Executive Officer, GE India

William H. Cary
Vice President, Corporate Investor Relations

Kathryn A. Cassidy
Vice President & GE Treasurer

James A. Colica
Vice President, Global Risk Management, GE Capital

Elizabeth J. Comstock
Vice President & Chief Marketing Officer

Robert L. Corcoran
Vice President, Corporate Citizenship & Chief Learning Officer

Pamela Daley
Vice President, Corporate Business Development

Richard D'Avino
Vice President & Senior Tax Counsel, GE Capital

Brackett B. Denniston III
Vice President & General Counsel

Todd Q. Dickinson
Vice President & Chief Intellectual Property Counsel

Nancy P. Dorn
Vice President, Government Relations

Shane Fitzsimons
Vice President, Financial Planning & Analysis

R. Michael Gadbaw
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Stacey Snider
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Jeanne M. Rosario
Vice President, Engineering Commercial Design

Corporate Headquarters

General Electric Company
3135 Easton Turnpike
Fairfield, CT 06828
(203) 373-2211

Annual Meeting

General Electric Company's 2005 Annual Meeting of Shareowners will be held on Wednesday, April 27, at the Aronoff Center in Cincinnati, Ohio.

Shareowner Services

To transfer securities, write to GE Share Owner Services, c/o The Bank of New York, P.O. Box 11002, New York, NY 10286-1002.

For shareowner inquiries, including enrollment information and a prospectus for the Direct Purchase and Reinvestment Plan, "GE Stock Direct," write to GE Share Owner Services, c/o The Bank of New York, P.O. Box 11402, New York, NY 10286-1402; or call (800) 786-2543 (800-STOCK-GE) or (941) 906-4657; or send an e-mail to ge-shareowners@bankofny.com.

For Internet access to general shareowner information and certain forms, including transfer instructions or stock power, visit the Web site at www.stockbny.com/ge.

Stock Exchange Information

In the United States, GE common stock is listed on the New York Stock Exchange (its principal market) and the Boston Stock Exchange. It also is listed on certain non-U.S. exchanges, including the London Stock Exchange and Euronext Paris.

Trading and Dividend Information

(In dollars)	Common Stock Market Price		Dividends Declared
	High	Low	
2004			
Fourth quarter	\$37.75	\$32.65	\$.22
Third quarter	34.53	31.42	.20
Second quarter	33.49	29.55	.20
First quarter	34.57	28.88	.20
2003			
Fourth quarter	\$31.30	\$27.37	\$.20
Third quarter	32.42	26.90	.19
Second quarter	31.66	25.50	.19
First quarter	28.00	21.30	.19

As of December 31, 2004, there were about 662,000 shareowner accounts of record.

Form 10-K and Other Reports

The financial information in this report, in the opinion of management, substantially conforms with information required in the "Form 10-K Report" to be filed with the Securities and Exchange Commission (SEC) in March 2005. However, the Form 10-K Report also contains additional information, and it can be viewed at www.ge.com/secreports.

Copies also are available, without charge, from GE Corporate Investor Communications, 3135 Easton Turnpike, Fairfield, CT 06828.

GE Capital Services and GE Capital Corporation file Form 10-K Reports with the SEC, and these can also be viewed at www.ge.com/secreports.

Information on the GE Foundation, GE's philanthropic organization, can be viewed at www.gefoundation.com.

Internet Address Information

Visit us online at www.ge.com for more information about GE and its products and services.

The 2004 GE Annual Report is available online at www.ge.com/annual04. For detailed news and information regarding our strategy and our businesses, please visit our Press Room online at www.ge.com/news and our Investor Information site at www.ge.com/investor.

Product Information

For information about GE's consumer products and services, visit us at www.geconsumerandindustrial.com.

Cassette Recordings

For an audiocassette version of this report, write to Target Mail, 705 Corporations Park, Scotia, NY 12302; or call (518) 381-3824; or send an e-mail to target.mail@corporate.ge.com.

Corporate Ombudsperson



To report concerns related to compliance with the law, GE policies or government contracting requirements, write to GE Corporate Ombudsperson, P.O. Box 911, Fairfield, CT 06430; or call (800) 227-5003 or (203) 373-2603; or send an e-mail to ombudsperson@corporate.ge.com.

Contact the GE Board of Directors

For reporting complaints about GE's accounting, internal controls and procedures, auditing matters or other concerns to the Board of Directors or the Audit Committee, write to GE Board of Directors, General Electric Company (W2E), 3135 Easton Turnpike, Fairfield, CT 06828; or call (800) 417-0575 or (203) 373-2652; or send an e-mail to Directors@corporate.ge.com.

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GE has included as Exhibit 31 to its Annual Report on Form 10-K for fiscal year 2004 filed with the Securities and Exchange Commission certificates of GE's Chief Executive Officer and Chief Financial Officer certifying the quality of the company's public disclosure. GE's Chief Executive Officer has also submitted to the New York Stock Exchange (NYSE) a certificate certifying that he is not aware of any violations by GE of the NYSE corporate governance listing standards.

Caution Concerning Forward-Looking Statements: This document contains "forward-looking statements"—that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties arise from the behavior of financial markets, including fluctuations in interest rates and commodity prices, from future integration of acquired businesses, from future financial performance of major industries which we serve, including, without limitation, the air and rail transportation, energy generation and healthcare industries, from unanticipated loss development in our insurance businesses, and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

Visit our interactive online
annual report at
www.ge.com/annual04

Thanks to the GE employees who appear in this annual report for putting their imagination to work.

This document was printed on paper containing at least 10% post-consumer material and was manufactured with 100% renewable energy, virtually all of which was produced with GE's wind, low-impact hydro or biogas technologies. GE employed a printer that produces all of its own electricity and is a certified totally enclosed facility that produces virtually no volatile organic compound emissions.

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